MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Miami Valley Academies
Montgomery County
5656 Springboro Pike
Moraine, Ohio 45449

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Miami Valley Academies, Montgomery 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miami Valley Academies, Montgomery County, 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 6 to the financial statements, during the year ended June 30, 2015, 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 also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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* 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 June 9, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 9, 2016

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The discussion and analysis of Miami Valley Academies' (the Academy) financial performance provides an overall review of the 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 basic financial statement and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued June, 1999. Certain comparative information between the current year and the prior year is required to be present and is presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year 2015 are as follows:

- Total net position of the Academy decreased by $76,312 as the Academy's revenues dropped and the overall cash balance decreased over $94,000.

- The Academy implemented GASB 68 (discussed starting on page 5) resulting in the overall net position being ($1,939,938). The Academy is required to report a net pension liability of $1,787,899 which is one of the components that significantly reduces the Academy's net position.

- Total assets decreased $160,090 as cash decrease as stated above and the intergovernmental receivables are down $69,544 from fiscal year 2014.

- Overall, the Academy's operating revenue decreased almost ten percent from fiscal year 2014.

Using this Financial Report

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

Statement of Net position

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred outflows, liabilities and deferred inflows, 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. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1 provides a summary of the Academy's net position for fiscal year 2015 compared with fiscal year 2014.

(Table 1)
Net Position

	2015	Restated 2014
Assets		
Current and Other Assets	$46,370	$208,355
Capital Assets, Net	129,886	127,991
Total Assets	176,256	336,346
Deferred Outflows		
Pensions	146,227	110,808
Liabilities		
Current Liabilities	145,765	163,554
Long Term Liabilities		
Net Pension Liability	1,787,899	2,128,001
Other Long Term Liability	0	19,225
Total Liabilities	1,933,664	2,310,780
Deferred Inflows		
Pensions	328,757	0
Net Position		
Net Investment in Capital Assets	110,661	87,207
Restricted	13,657	40,944
Unrestricted	(2,064,256)	(1,991,777)
Total Net position	($1,939,938)	($1,863,626)

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 $152,453 to ($1,863,626).

The Academy's total net position decreased by $76,312 during fiscal year 2015. The Academy saw the cash decrease by $94,549 during the year as the Academy saw the state foundation revenue decrease as the FTE counts dropped from 199 in fiscal year 2014 to 180 in fiscal year 2015.

Total (non pension) liabilities of the Academy decreased $37,014 over those reported at June 30, 2014. The majority of the decrease relates to payments made on the note payable and capital lease obligation.

Table 2 shows the changes in net position for fiscal year 2015 and fiscal year 2014, as well as a listing of revenues and expenses.

TABLE 2
CHANGE IN NET POSITION

	2015	2014
Operating Revenues:		
Foundation payments	$1,294,895	$1,436,017
Other operating revenues	7,225	8,909
Non Operating Revenues:		
State and federal grants	320,582	381,503
Total Revenue	1,622,702	1,826,429
Operating Expenses:		
Salaries	802,846	767,880
Fringe Benefits	133,698	162,054
Management and Fiscal Services	304,291	279,478
Property Services	177,967	167,392
Other Purchased Services	151,640	204,517
Materials and Supplies	76,452	112,109
Depreciation	44,465	35,610
Other Expenses	5,057	4,901
Non Operating Expenses:		
Interest	2,598	1,688
Total Expenses	1,699,014	1,735,629
Changes in net position	(76,312)	90,800
Net position, beginning of year - restated	(1,863,626)	N/A
Net position, end of year	($1,939,938)	($1,863,626)

Total revenue for the Academy decreased $203,727 in fiscal year 2015 compared with fiscal year 2014. The Academy did realize a decrease in state foundation funding as the number of students for the fiscal year decreased from the prior year and fewer students were eligible for grant funding.

Total expenses for the Academy reported for the fiscal year were $36,615 less than the prior year as the Academy reduced fringe benefits in part by $46,764 from the respective GASB 68 pension adjustments. This resulted from the Academy reporting the current year contractually required contributions of $126,032 as a deferred outflow but reporting $83,950 as the pension expense from the two retirement systems. The Academy did see reductions in purchased services and materials and supplies around $53,000 as the Academy reduced the items needed with fewer students.

Capital Assets

At June 30, 2015, the capital assets of the Academy consisted of $1,021,550 of equipment and leasehold improvements offset by $891,664 in accumulated depreciation resulted in net capital assets of $129,886.

See Note 4 of the notes to the basic financial statements for additional information on the Academy's capital assets.

Debt

At June 30, 2015, the Academy had a capital lease obligation of $3,745 and a note payable of $15,480. See notes 12, 13 and 14 of the notes to the basic financial statements for additional information on the Academy's long term obligations.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Miami Valley Academy, Inc. and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Miami Valley Academies, 5656 Springboro Pike, Moraine, OH 45449.

MIAMI VALLEY ACADEMIES
Montgomery County, Ohio
Statement of Net Position

JUNE 30, 2015

Assets:	
Current assets:	
Cash	$ 25,220
Accounts receivable	2,598
Intergovernmental receivable	18,552
Total current assets	46,370
Noncurrent assets:	
Capital assets, net depreciation	129,886
Total noncurrent assets	129,886
Total Assets	176,256
Deferred Outflows of Resources:	
Pension	146,227
Total Deferred Outflows of Resources:	146,227
Liabilities:	
Current liabilities	
Accounts payable	4,798
Accrued wages and benefits	86,848
Intergovernmental payable	34,894
Note Payable	15,480
Lease Payable	3,745
Total current liabilities	145,765
Long term liabilities	
Net Pension Liability	1,787,899
Total Long term liabilities	1,787,899
Total Liabilities	1,933,664
Deferred Inflows of Resources:	
Pension	328,757
Total Deferred Inflows of Resources:	328,757
Net Position:	
Net invested in capital assets	110,661
Restricted	13,657
Unrestricted	(2,064,256)
Total Net Position	$ (1,939,938)

See accompanying notes to the basic financial statements

MIAMI VALLEY ACADEMIES
Montgomery County, Ohio
Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating Revenues:	
State foundation	$ 1,294,895
Tuition and fees	4,940
Other operating revenues	2,285
Total operating revenues	1,302,120
Operating Expenses:	
Salaries and wages	802,846
Fringe benefits	133,698
Purchased services:	
Contract management and fiscal services	304,291
Property services	177,967
Other	151,640
Materials and supplies	76,452
Depreciation	44,465
Other expenses	5,057
Total operating expenses	1,696,416
Operating loss	(394,296)
Nonoperating revenues (expenses):	
Federal grants	225,798
State grants	94,784
Interest and fiscal charges	(2,598)
Total nonoperating revenues (expenses)	317,984
Change in Net Position	(76,312)
Net Position, beginning of year (restated)	(1,863,626)
Net Position, end of year	$ (1,939,938)

See accompanying notes to the basic financial statements

MIAMI VALLEY ACADEMIES
Montgomery County, Ohio
Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 1,294,895
Cash received from customers	5,360
Cash received from other operating revenues	1,937
Cash payments for personal services	(983,807)
Cash payments for contract services	(727,486)
Cash payments for supplies and materials	(5,057)
Net cash used by operating activities	(414,158)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	390,126
Cash flows from capital and related financing activities:	
Acquisition of Capital Assets	(46,360)
Principal paid on debt obligations	(21,559)
Interest paid on debt obligations	(2,598)
Net cash used by capital and related financing activities	(70,517)
Net change in cash and cash equivalents	(94,549)
Cash and Cash Equivalents at beginning of year	119,769
Cash and Cash Equivalents at end of year	$ 25,220

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	$ (394,296)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	44,465
Change in assets and liabilities:	
Accounts receivable	(2,108)
Deferred Outflows - Pensions	(35,419)
Accounts payable	(13,356)
Accrued wages and benefits	864
Deferred Inflows - Pensions	328,757
Net Pension Liability	(340,102)
Intergovernmental payable	(2,963)
Net cash used by operating activities	$ (414,158)

See accompanying notes to the basic financial statements

1. Description of the Academy and Reporting Entity:

Miami Valley Academies (the "Academy") is a state nonprofit corporation established pursuant to Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The Academy, which is part of State 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.

The Academy was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing with fiscal year July 1, 2001 through June 1, 2005 after which the Thomas B. Fordham Foundation sponsored the Academy through May 2006. From May 2006 to June 30, 2010, Educational Resource Consultants of Ohio has sponsored the Academy. During fiscal year 2011, Kids Count of Dayton took over as the Academy's sponsor and is still the sponsor.

The Academy operates under a self-appointing five-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy has one instructional/support facility to provide educational services to 180 funded students.

2. Summary of Significant Accounting Policies:

The financial statement 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 below.

A. Basis of presentation

Enterprise accounting is used to account for operations that are financed and operated in manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) 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 appropriated for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The difference between total assets, deferred outflows, liabilities and deferred inflows are defined as net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

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, community schools are not required to follow budgetary provisions set forth in the Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with the sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

The Academy's Board adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Treasurer are responsible for ensuring that purchases are made within these limits. However, any variances from the budgetary amounts are presented to the Board for subsequent approval.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the cash is segregated into various funds.

E. Estimates

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

F. Capital assets and depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of $500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of five to ten years. Improvements to capital are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated over the life of the lease agreement of six years.

G. Intergovernmental revenues

The Academy currently participates in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State educational grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly to the Academy's primary mission. For the Academy, operating revenues include foundation payments received from the State of Ohio and certain charges to students recorded as tuition and fees. Operating expenses are necessary costs incurred to support the Academy's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various state and federal grants and interest expense comprise the non-operating revenues and expenses of the Academy.

I. Accrued liabilities payable

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2015, including:

Wages Payable – salary payments made after year-end that were for serviced rendered in fiscal year 2015. Teaching personnel are paid in 24 equal installments, ending with the last pay period in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2015 for all salary payments made to teaching personnel during the months of July and August 2015.

Intergovernmental payable – payment for the employer's share of the retirement contribution ($11,798), associated with services rendered during fiscal year 2015, but were not paid until the subsequent fiscal year is the major expense in this category.

J. Federal tax exemption status

The Academy is a non-profit organization that has been determined by the internal Revenue Service to be exempt from federal income taxes a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position 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 pension. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 7)

L. 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 position 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.

M. Net position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when they are limitations imposed on their use 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 are available.

3. Deposits and Investments:

The Academy does not have a policy addressing custodial credit risk for its deposits. At June 30, 2015, the carrying amount of the Academy's deposits was $25,220 and the bank balance was $40,881, the entire balance of which was covered by federal depository insurance.

4. Capital Assets:

A summary of the Academy's capital assets at June 30, 2015, follows:

	Beginning Balance	Additions	Deletions	Ending Balances
Capital assets being depreciated:				
Leasehold Improvements	$653,715	$18,852	$0	$672,567
Equipment	321,475	27,508	0	348,983
Total Capital Assets	975,190	46,360	0	1,021,550
Less: accumulated depreciation on:				
Leasehold Improvements	(571,451)	(21,265)	0	(592,716)
Equipment	(275,748)	(23,200)	0	(298,948)
Total Accumulated Depreciation	(847,199)	(44,465)	0	(891,664)
Capital assets, net	$127,991	$1,895	$0	$129,886

5. Risk Management:

Property and liability – The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the Academy contracted with the Argonaut Insurance Company for business personal property and general liability insurance. Business personal property coverage carries $530,450 limit, and has a $1,000 deductible. Building liability coverage is set at $1,722,029 in the aggregate with a $1,000 deductible. The Academy has a $3,000,000 general aggregate limit with $1,000,000 limit per occurrence carrying a $2,500 deductible.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

Employee insurance benefits – The Academy provides medical benefits through Anthem.

6. Change in Accounting Principle and Restatement of Net Position:

For fiscal year 2015, the Academy implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 and 71 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	$153,567
Adjustments:	
Net Pension Liability	(2,128,001)
Deferred Outflow - Payments Subsequent to Measurement Date	110,808
Restated Net Position June 30, 2014	($1,863,626)

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.

7. Defined Benefits Pension Plan:

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.

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.

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 *intergovernmental payable* on the accrual basis of accounting.

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 on or 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.

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 $11,384 for fiscal year 2015. Of this amount $0 is reported as an intergovernmental payable.

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.

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 $114,648 for fiscal year 2015. Of this amount $11,798 is reported as an intergovernmental payable.

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	$107,090	$1,680,809	$1,787,899
Proportion of the Net Pension Liability	0.002116%	0.0069102%	
Pension Expense	$6,298	$77,652	$83,950

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	$911	$16,181	$17,092
Difference between Academy contributions and proportionate share of contributions	0	3,103	3,103
Academy contributions subsequent to the measurement date	11,384	114,648	126,032
Total Deferred Outflows of Resources	$12,295	$133,932	$146,227
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$17,381	$310,956	$328,337
Difference between Academy contributions and proportionate share of contributions	420	0	420
Total Deferred Inflows of Resources	$17,801	$310,956	$328,757

$126,032 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	($4,267)	($72,918)	($77,185)
2017	(4,267)	(72,918)	(77,185)
2018	(4,267)	(72,918)	(77,185)
2019	(4,089)	(72,918)	(77,007)
Total	($16,890)	($291,672)	($308,562)

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.

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:

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	$152,786	$107,090	$68,656

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 %	

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	$2,406,192	$1,680,810	$1,067,290

8. Postemployment Benefits

A. School Employee 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 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.

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 $0.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $944, $471, and $492, 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 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. 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, $7,155, and $7,447 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

9. Restricted Net Position:

At June 30, 2015, the Academy reported restricted net position totaling $13,657. The nature of the net position restrictions are as follows:

Capital Improvement	$8,473
Title VI-B	168
Title I Grant	5,016
Total	$13,657

10. Contingencies:

Grants:

Amounts received from grantor agencies are subject to audit and adjustments by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not yet determinable. However, in the opinion of the Academy any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

Foundation Funding:

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. 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.

11. Operating Leases:

The Academy leases its facilities from B.F. Hill Investments, Inc. under a six –year lease agreement beginning July 1, 2002 through June 30, 2008 that was extended on a monthly basis for 2009 through 2015. Rent for fiscal year 2015 totaled $124,367. The terms of the lease are not expected to change significantly during fiscal year 2016.

12. Capital Leases:

In the prior year, the Academy entered into a capital lease for an LED display at the State Route 741 entrance ($14,021). The terms of the agreement provides an option to purchase the equipment. Principal payments in fiscal year 2015 totaled $7,004 and interest payments of $688.

Fiscal Year Ending June 30,	Capital Leases Payable Principal	Interest	Total
2016	$3,745	$100	$3,845

13. Note Payable:

In the prior year, the Academy issued a note payable to purchase a new gym floor ($30,035). The terms of this note requires that it be repaid in two annual installments with a 6.36% interest rate. Annual payments are $16,465. Principal payments in fiscal year 2015 totaled $14,555 and interest payments of $1,910.

Fiscal Year Ending June 30,	Note Payable Principal	Interest	Total
2016	$15,480	$984	$16,464

14. Long Term Liabilities:

The changes in the Academy's long-term obligations (non-current liabilities) during the year consist of the following:

	Obligation Outstanding 7/01/14	Additions	Reductions	Obligation Outstanding 6/30/15	Amounts Due in One Year
Capital Lease Payable	$10,749	$0	$7,004	$3,745	$3,745
Note Payable	30,035	0	14,555	15,480	15,480
Net Pension Liability					
SERS	125,832	0	18,742	107,090	0
STRS	2,002,169	0	321,359	1,680,810	0
Total	$2,168,785	$0	$361,660	$1,807,125	$19,225

15. Other Purchased Services:

During the fiscal year ended June 30, 2015, other purchased services rendered by various vendors were as follows:

Contract Management and Fiscal Service	$304,291
Property Services	177,967
Communications	17,686
Utilities	44,338
Food Service	82,615
Other	7,001
Total Purchased Services	$633,898

Miami Valley Academies (the Academy)
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
The Academy's Proportion of the Net Pension Liability	0.002116%	0.002116%
The Academy's Proportion Share of the Net Pension Liability	107,090	125,832
The Academy's Covered-Employee Payroll	49,524	51,763
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	216.24%	243.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

Miami Valley Academies (the Academy)
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
The Academy's Proportion of the Net Pension Liability	0.00691024%	0.00691024%
The Academy's Proportion Share of the Net Pension Liability	1,680,810	2,002,169
The Academy's Covered-Employee Payroll	715,477	1,053,962
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	234.92%	189.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

Miami Valley Academies (the Academy)
Required Supplementary Information
Schedule of the Academy's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions	$ 11,384	$ 6,864	$ 7,164	$ 6,619	$ 4,949	$ 4,834	$ 4,934	$ 1,229	$ 2,878	$ 12,554
Contributions in Relation to the Contractually Required Contribution	(11,384)	(6,864)	(7,164)	(6,619)	(4,949)	(4,834)	(4,934)	(1,229)	(2,878)	(12,554)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered-Employee Payroll	$ 86,373	$ 49,524	$ 51,763	$ 49,212	$ 39,372	$ 35,702	$ 50,142	$ 12,515	$ 26,948	$ 118,658
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Miami Valley Academies (the Academy)
Required Supplementary Information
Schedule of the Academy's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions	$ 114,648	$ 93,012	$ 137,015	$ 153,139	$ 83,571	$ 75,261	$ 86,809	$ 90,523	$ 90,868	$ 70,656
Contributions in Relation to the Contractually Required Contribution	(114,648)	(93,012)	(137,015)	(153,139)	(83,571)	(75,261)	(86,809)	(90,523)	(90,868)	(70,656)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered-Employee Payroll	$ 818,914	$ 715,477	$ 1,053,962	$ 1,177,992	$ 642,854	$ 578,931	$ 667,762	$ 696,331	$ 698,985	$ 543,508
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

Miami Valley Academies
Montgomery County
5656 Springboro Pike
Moraine, Ohio 45449

To the Board of Trustees:

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 Miami Valley Academies, Montgomery County, (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 June 9, 2016, wherein we noted the Academy adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Academy's Response to Finding

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 9, 2016

SCHEDULE OF FINDINGS
JUNE 30, 2015

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

FINDING NUMBER 2015-001

NONCOMPLIANCE / FINDING FOR RECOVERY – PARTIALLY REPAID AND FULLY RESOLVED WHILE UNDER AUDIT

The Academy's Board of Directors entered into an agreement with Jennifer Claypool on March 20, 2012 to serve as Superintendent of the Academy for a five year term beginning on August 1, 2012 and ending on July 31, 2017. The contract was for each twelve-month period beginning August 1 and ending July 31 and the number of working days were to be 240 days per year. The contract included no provisions for additional compensation outside of the contract and the Board did not formally approve any additional compensation. However, the Academy paid the Superintendent an amount of $9,823 in additional compensation on August 15, 2014 for 19 additional days at $517.02 per day. Additionally, the Superintendent was paid an extra $1,000 on May 29, 2015 for the administration of the Race to the Top Grant. The Superintendent's contract allowed for the employee contribution to the State Teachers' Retirement System (STRS) of Ohio to be paid by the Academy. This amounted to an additional $1,298 (12% of the wages paid above) paid to STRS by the Academy.

Ohio Rev. Code § 149.351(A) states, in part, that all records are the property of the public office concerned 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 commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

In ***State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951),** the Ohio Supreme Court held that expenditures made by a governmental unit must serve a public purpose. Auditor of State Bulletin 2003-005 provides guidance on this holding that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose. In addition, Ohio Attorney General Opinion 82-006 also provides guidance and addresses the expenditure of funds for public purposes.

The Academy's failure to require and maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, make it difficult to identify errors which could go undetected and possibly result in expenditures that are not for the proper public purpose. Without proper supporting documentation, it is not possible to determine if expenditures were related to items that would be considered a proper public purpose.

The Superintendent was reimbursed for various expenditures while traveling on Academy-related business. Check number 9737 issued on August 15, 2014 included two payments that totaled $55 that were paid for twice within the same reimbursement check. This same check included reimbursements for charges that could only be supported with a credit card statement or a general credit card receipt (no itemized receipt could be provided to show what was purchased). The total of these items was $193. Check number 10012 issued on March 13, 2015 included a reimbursement related to hotel charges with a cost of $210; however, the Superintendent was reimbursed $270 for the expense, resulting in an overpayment of $60.

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(Continued)

The total of the above payments was as follows:

Item	Amount
Payment for Extra Days	$9,823
Payment for Race to the Top Grant Administration	$1,000
STRS Pick-up for the Above Items	$1,298
Duplicate Reimbursement/Over-Reimbursement	$115
Lack of Adequate Supporting Documentation	$193
Total	$12,429

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Jennifer Claypool, Superintendent, and in favor of Miami Valley Academies in the amount of $12,429.

The Academy should take steps to verify that all salary payments are supported by an approved contract or some other formal Board approval prior to the payment of wages. Additionally, the Academy should closely review reimbursement requests to verify that all expenses are appropriately supported with itemized receipts and are only reimbursed once.

On March 3, 2016, the Academy's Board, in an attempt to resolve the overpayment of wages to the Superintendent, adopted a resolution in which it retroactively approved compensation to the Superintendent for additional days of work above the 240 days for which she was authorized to be paid under the Superintendent contract. With the resolution, the Board also retroactively approved compensation to the Superintendent in the amount of $1,000 for her administration of the work related to the Race to the Top Transformation Team. Given this retroactive approval, the finding for recovery related to salary and benefits is considered to be resolved.

Additionally, on February 26, 2016, March 4, 2016, and May 11, 2016 the remainder of this finding for recovery was repaid to the Academy via check numbers 1211, 1213, and 2005 respectively. These receipts were recorded in the Academy's accounting records on February 26, 2016, March 4, 2016, and May 13, 2016 via a reduction of an expenditure with a transaction number of 6452 for $60, 6453 for $55, and 6473 for $193, respectively.

Officials’ Response:

The Superintendent’s contract provides for a salary for 240 days of work between August 1 and July 31 of each year, and includes 20 days of vacation. The contract specifies a method to compute a daily pay rate to compensate for unused vacation days. In the year ended June 30, 2015, the Superintendent worked 19 additional days, over and above her 240 days. The Treasurer computed the daily pay rate and, with approval of the Board, the Superintendent was paid $9,823 for those additional days. The intent of the Board to pay for work over and above the contracted 240 days was confirmed in a resolution unanimously passed on March 3, 2016, retroactively authorizing payment for the 19 additional days. To further confirm its intent, the Board amended the Superintendent’s employment contract to specifically allow additional payment for additional days of work beyond the 240 days specified in the contract.

Officials' Response (Continued):

The Superintendent also received payment of $1,000 for her administration of the Race to the Top Grant, which the Superintendent procured for the Academy. The Grant required appointment of a Transformation Team that included a school administrator. The Superintendent was a member of that Team and, like other members, received a stipend for her work. Her stipend was $1,000. The amount of each team member's stipend was based on the team member's level of participation and, per the federal grant, approved by the Board. Again, the Superintendent's work on the Grant was outside of her 240 days of contract work. The Board unanimously passed a resolution on March 3, 2016 retroactively authorizing payment to the Superintendent for her work administering Race to the Top.

The Academy would also point out that the role and responsibilities of its Superintendent are vastly different from the role and responsibilities of a superintendent in a school district. The Academy Superintendent is responsible, among other things, for oversight and building maintenance, recruitment of teachers, hiring of all personnel, grant writing, professional development for teachers, marketing and CCIP, discipline of students, administration of Title I, administration of College Credit Plus program, graduation preparation, legislative updates, board bylaws and policies, preparation of both the student handbook and teacher handbook, and administration of the website, as well as the usual responsibilities of a superintendent. Because our demands are diverse and could require the unlimited attention of the Superintendent at all times, her contract specifically limits the number of days on which she is required to work. The Board's intention is that she will be compensated at her annual daily rate of pay for all additional days of work that her responsibilities demand. The Board has made its intentions clear in Resolution #2016-2. This resolution specifically states that for each additional working day beyond the required 240 days, the Superintendent shall receive payment at her current annual daily rate.

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MIAMI VALLEY ACADEMIES

MONTGOMERY 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
JULY 12, 2016