

GROVEPORT CRUISER ACADEMY

FRANKLIN COUNTY

REGULAR AUDIT

*(A COMPONENT UNIT OF THE
GROVEPORT MADISON LOCAL
SCHOOL DISTRICT)*

JULY 1, 2015 – JUNE 30, 2016





Dave Yost • Auditor of State

Board of Education
Groveport Madison Crusier Academy
4400 Marketing Place, Suite B
Groveport, Ohio 43125

We have reviewed the *Independent Auditors' Report* of the Groveport Madison Crusier Academy, Franklin County, prepared by Wilson, Shannon & Snow Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Groveport Madison Crusier Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 28, 2017

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**GROVEPORT CRUISER ACADEMY
FRANKLIN COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE BASIC FINANCIAL STATEMENTS	11
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	19

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Groveport Cruiser Academy
Franklin County
4400 Marketing Place, Suite B
Groveport, Ohio 43125

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Groveport Cruiser Academy, Franklin County, Ohio, a component unit of the Groveport Madison Local School District (the Academy), as of and for the fiscal year ended June 30, 2016, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Groveport Cruiser Academy, Franklin County as of June 30, 2016, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Groveport Cruiser Academy
Franklin County
Independent Auditor's Report

Emphasis of Matter

As discussed in Note 9 C. to the financial statements, the Academy recorded a liability as a result of a full-time equivalency review performed by the Ohio Department of Education. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 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.

Wilson, Shuman & Snow, Inc.

January 30, 2017
Newark, Ohio

Groveport Madison Cruiser Academy
Franklin County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

As management of the Groveport Madison Cruiser Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the Academy are as follows:

- Assets exceeded Liabilities by \$753,777 at fiscal year-end.
- Net Position increased \$308,458 during the fiscal year. This represents the amount in which operating revenues (\$1,319,899) and non-operating revenues (\$165,450) exceeded operating expenses (\$1,176,891).

Using this Annual Financial Report

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

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**Groveport Madison Cruiser Academy
Franklin County**
Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

Financial Analysis

Table 1 provides a summary of the Academy's net position at June 30, 2016 compared to the prior fiscal year.

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

	2016	2015
Assets:		
Current and Other Assets	\$ 1,045,551	\$ 580,868
Capital Assets, Net	15,975	18,155
Total Assets	1,061,526	599,023
Liabilities:		
Current Liabilities	307,749	153,704
Total Liabilities	307,749	153,704
Net Position:		
Investment in Capital Assets	15,975	18,155
Unrestricted	737,802	427,164
Total Net Posiiton	\$ 753,777	\$ 445,319

Current and Other Assets increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in cash from operations.

Current Liabilities, increased significantly in comparison with the prior fiscal year-end. This increase is the result of timing differences in payments to the Groveport Madison Local School District (the Sponsor). The Academy owed the Sponsor for two months at June 30, 2015 and four months at June 30, 2016.

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**Groveport Madison Cruiser Academy
Franklin County**
Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2016 compared to the prior fiscal year.

**Table 2
Changes in Net Position**

	2016	2015
Operating Revenues:		
Foundation Revenues	\$ 1,319,699	\$ 1,229,046
Other Revenues	200	642
Total Operating Revenues	<u>1,319,899</u>	<u>1,229,688</u>
Operating Expenses:		
Purchased Services	1,074,709	1,054,545
Materials and Supplies	39,707	34,842
Depreciation	2,180	2,670
Other	60,295	42,398
Total Operating Expenses	<u>1,176,891</u>	<u>1,134,455</u>
Operating Income	<u>143,008</u>	<u>95,233</u>
Nonoperating Revenues:		
State and Federal Grants	87,992	80,897
Other Restricted Grants in Aide	40,927	61,072
Other Unrestricted Grants in Aide	36,531	29,391
Total Nonoperating Revenues	<u>165,450</u>	<u>171,360</u>
Change in Net Position	308,458	266,593
Net Position, Beginning of Fiscal Year	445,319	178,726
Net Position, End of Fiscal Year	<u>\$ 753,777</u>	<u>\$ 445,319</u>

Revenues increased slightly in comparison with the prior fiscal year. This increase is due to an increase in special education students during the fiscal year, offset by a decrease in overall enrollment.

Expenses were fairly consistent in fiscal year 2016 compared to the prior fiscal year.

Other Restricted Grants in Aide decreased significantly in comparison with the prior fiscal year. This decrease represents a decrease in economic disadvantaged students during the fiscal year.

Groveport Madison Cruiser Academy
Franklin County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

Capital Assets

At fiscal year-end, the Academy's net capital asset balance was \$15,975, a decrease of \$2,180 in comparison with the prior fiscal year. This decrease represents current year depreciation. For more information on capital assets, see Note 4 to the basic financial statements.

Debt

At fiscal year-end, the Academy had no debt.

Current Financial Issues

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the Academy in future fiscal years due to the State's current economic environment. The Academy is expected to continue to grow in both the number of students, as well as the number of support staff, as it enters into its third year of operation, which will impact the Academy's funding since the Academy receives the majority of its finances from state aid.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Groveport Madison Cruiser Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Joyce Disharoon, Treasurer of Groveport Madison Cruiser Academy, 4400 Marketing Place Suite B, Groveport, Ohio, 43125.

**GROVEPORT MADISON CRUISER ACADEMY
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Assets:

Current Assets	
Cash	\$ 1,033,195
Prepaid Items	12,356
Total Current Assets	<u>1,045,551</u>

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation	<u>15,975</u>
Total Noncurrent Assets	<u>15,975</u>

Total Assets	<u>1,061,526</u>
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Liabilities:

Current Liabilities	
Accounts Payable	204,759
Intergovernmental Payable	102,990
Total Liabilities	<u>307,749</u>

Net Position:

Investment in Capital Assets	15,975
Unrestricted	<u>737,802</u>
Total Net Position	<u>\$ 753,777</u>

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON CRUISER ACADEMY
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Foundation	\$ 1,319,699
Other	200
Total Operating Revenues	<u>1,319,899</u>
Operating Expenses:	
Purchased Services	1,074,709
Materials and Supplies	39,707
Depreciation	2,180
Other	60,295
Total Operating Expenses	<u>1,176,891</u>
Operating Income	<u>143,008</u>
Non-Operating Revenues:	
State and Federal Grant Revenue	87,992
Other Restricted Grants in Aide	40,927
Other Unrestricted Grants in Aide	36,531
Total Non-Operating Revenues	<u>165,450</u>
Change in Net Position	308,458
Net Position, Beginning of Fiscal Year	445,319
Net Position, End of Fiscal Year	<u><u>\$ 753,777</u></u>

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON CRUISER ACADEMY
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Cash Received from Foundation	\$ 1,306,989
Cash Received from Other Receipts	200
Cash Payments to Suppliers for Purchased Goods and Services	(929,383)
Cash Payments to Other	(60,295)
Net Cash Provided by Operating Activities	<u>317,511</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Grants	<u>246,347</u>
Net Cash Provided by Noncapital Financing Activities	<u>246,347</u>
Net Increase in Cash and Cash Equivalents	563,858
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>469,337</u>
Cash and Cash Equivalents at End of Fiscal Year	<u><u>\$ 1,033,195</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 143,008
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,180
Changes in Assets and Liabilities:	
Prepaid Items	18,278
Accounts Payable	99,290
Intergovernmental Payable	54,755
Net Cash Provided by Operating Activities	<u><u>\$ 317,511</u></u>

See accompanying notes to the basic financial statements.

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**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 – Description of the Academy and Reporting Entity

The Groveport Madison Cruiser Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. 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 Academy's mission is to provide each student with a unique opportunity to earn their diploma in an alternative setting. The Academy is an at-risk Academy that primarily enrolls students between sixteen and twenty-one years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions.

The Academy was formally created on March 11, 2010, by entering a three-year contract with the Groveport Madison Local School District (the Sponsor) for fiscal years 2011 through 2013. The contract was subsequently extended through fiscal year 2017. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. See Note 7 for additional information regarding the sponsorship agreement with the Sponsor.

The Academy purchased the services of Metropolitan Educational Technology Association Solutions (META) to provide fiscal, student, EMIS, and technical services during the fiscal year. See Note 8 for information regarding the contract between the Academy and META.

The Academy operates under the direction of a seven-member Board of Directors appointed by the Sponsor. The majority of those appointed by the Sponsor shall be elected or appointed public officials or public employees, or shall be community leaders who have demonstrated a professional interest in education or in other issues involving children.

The Academy is a component unit of the Sponsor. The Sponsor appoints a majority of the Board of Directors and is able to impose its will on the Academy. The Sponsor can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Academy's failure to meet generally accepted standards of fiscal management, 3) the Academy's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause.

The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Academy and the children it serves.

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

**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements are prepared on the accrual basis of accounting as further described in Note 2 C.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five-year forecast, which is updated on an annual basis.

E. Cash

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets at fiscal year-end.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year which services are consumed. At fiscal year-end, prepaid items are not available to finance future net position expenses.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The Academy had no inventory at fiscal year-end.

I. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings and Improvements	15 years
Furniture, Fixtures, and Equipment	5-10 years

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The Academy has no employees.

K. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported on the statement of net position. The Academy had no long-term obligations at the end of the fiscal year.

**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

L. 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. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy did not have any deferred inflows of resources at fiscal year-end.

M. 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 their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had no restricted net position at fiscal year-end.

The Academy’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

N. Operating Revenues and Expenses

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 goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

P. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

P. Intergovernmental Revenue (Continued)

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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 3 – Deposits

A. Deposits

At fiscal year-end, the carrying amount of the Academy's deposits was \$1,033,195 and the bank balance was \$1,041,447. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining \$791,447 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

Note 4 – Capital Assets

A summary of capital asset activity for the fiscal year follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Cost				
Buildings and Improvements	\$ 18,254	\$ -	\$ -	\$ 18,254
Furniture, Fixtures, and Equipment	11,458	-	-	11,458
Total Capital Assets, Cost	<u>29,712</u>	<u>-</u>	<u>-</u>	<u>29,712</u>
Less Accumulated Depreciation				
Buildings and Improvements	(5,476)	(1,217)	-	(6,693)
Furniture, Fixtures, and Equipment	(6,081)	(963)	-	(7,044)
Total Accumulated Depreciation	<u>(11,557)</u>	<u>(2,180)</u>	<u>-</u>	<u>(13,737)</u>
Depreciable Capital Assets, Net	<u>\$ 18,155</u>	<u>\$ (2,180)</u>	<u>\$ -</u>	<u>\$ 15,975</u>

**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5 – Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Academy was listed as an additional insurance organization on the Sponsor's insurance coverage from with Catlin Idemnity Company, administered by Andrew Insurance Associates, Inc. The Sponsor has general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate. Property is also protected through Catlin Idemnity Company and holds a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior fiscal year.

Note 6 – Operating Lease

The Academy entered into a Property Lease Agreement for space to be used as a school building, office space and other permitted uses. The term of the lease is ten years, commencing on September 7, 2010. The minimum annual payments to be made from the Academy during years one through five are \$105,128 and \$119,144 for years six through ten.

In addition, in accordance with the Property Lease Agreement, the Academy pays a fee for maintaining, equipping, repairing, replacing, and otherwise managing the Common Area. This fee increases three percent each year.

During the fiscal year, Property Lease Agreement payments totaled \$116,079.

Note 7 – Fiscal Agent and Payment to Sponsor

The Community School Sponsorship Contract between the Academy and the Groveport Madison Local School District requires the Academy to pay the following amounts:

- The Academy will reimburse Sponsor for actual payroll expenses incurred for compensating and providing benefits to employees.
- The Academy may purchase certain special education and related services from the Sponsor.
- The Academy may also pay the Sponsor other amounts as are mutually agreed for any services provided to the Academy by the Sponsor.

During the fiscal year, the Academy paid the Sponsor \$531,678 for the services defined above.

**Groveport Madison Cruiser Academy
Franklin County**
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 – Contract with the Metropolitan Educational Technology Association (META) Solutions

On June 9, 2014, the Academy entered into a three-year contract with the Metropolitan Education Council (MEC) for fiscal years 2015 through 2017. On April 1, 2015, MEC merged with the Tri-Rivers Educational Computer Association (TRECA) to form the Metropolitan Educational Technology Association (META) Solutions. Under the contract, the Academy agreed to the following terms:

- META shall provide the Academy with fiscal, student, EMIS, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of META under the agreement shall be employees of META and META shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All personnel shall possess any certification or licensure which may be required by law.
- The technical services provided by META to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

During the fiscal year, the Academy paid META \$7,903 for these services. Financial information may be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

Note 9 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

B. Litigation

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

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. The results of the fiscal year 2015 and 2016 reviews, as of the date this report was issued, was an overpayment of \$35,525. The Academy will repay this amount in fiscal year 2017.

Based on the results of a full-time equivalency review performed by the Ohio Department of Education, the Groveport Madison Local School District (Sponsor) and the Groveport Cruiser Academy have approved a joint resolution of intent settling any and all disputes between the Sponsor, Academy, and the Ohio Department of Education. Based on this settlement agreement, a liability has been recorded of \$67,465 in accordance with the settlement agreement.

Groveport Madison Cruiser Academy
Franklin County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 10 – Purchased Services

A breakdown of purchased services expenses for the fiscal year is as follows:

Instruction	\$ 897,408
Copier	8,237
Building Lease	138,564
Utilities	15,732
Other Purchased Services	14,768
Total	<u>\$ 1,074,709</u>

Note 11 – Subsequent Event

The Groveport Madison Local School District and the Groveport Cruiser Academy approved a joint resolution of intent settling any and all disputes with the Ohio Department of Education as a result of their full-time equivalency audit.



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

Groveport Cruiser Academy
Franklin County
4400 Marketing Place, Suite B
Groveport, Ohio 43125

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 Groveport Cruiser Academy, Franklin County, a component unit of the Groveport Madison Local School District (the Academy) as of and for the fiscal year ended June 30, 2016, 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 30, 2017 wherein we noted the Academy recorded a liability in accordance with full-time equivalency review as disclosed in Note 9 C.

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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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.

Wilson, Shuman & Sauer, Inc.

January 30, 2017
Newark, Ohio



Dave Yost • Auditor of State

GROVEPORT MADISON CRUISER ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2017**