



**Dave Yost • Auditor of State**



**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Academy of New Media Middle School  
Franklin County  
43 South Douglas Street  
Columbus, Ohio 43205

To the Board of Trustees:

We have audited the accompanying financial statements of the Academy of New Media Middle School, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2012, which collectively comprise the Academy's financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of Academy of New Media Middle School, Franklin County, Ohio, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2013, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Academy's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets and changes in net assets. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 14, 2013

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The discussion and analysis of the Academy of New Media Middle School's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the Academy, comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net cash assets were \$75,103 at June 30, 2012.
- The Academy had operating revenues of \$748,874 and operating expenses of \$1,158,116 for fiscal year 2012.
- The Academy also received \$484,345 in non-operating federal and private grants during fiscal year 2012.
- Total change in net cash assets for fiscal year 2012 was \$75,103.

### **Using these Cash Basis Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The Statement of Net Assets – Cash Basis and Statement of Revenues, Expenses and Changes in Net Assets – Cash Basis provide information about the activities of the Academy.

### **Reporting the Academy's Financial Activities**

#### ***Statement of Net Assets and the Statement of Revenues, Expenses Changes in Net Assets - Cash Basis***

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2012?" The Statement of Net Assets – Cash Basis Statement of Revenues, Expenses and Changes in Net Assets – Cash Basis answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the Academy's net assets and changes in net assets on a cash basis. This change in net assets is important because it tells the reader that, for the Academy as a whole, the cash basis financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The table below provides a summary of the Academy's net cash assets for fiscal year 2012. Since this is the Academy's first year of operations, comparative information is not available.

**Net Cash Assets**

	<u>2012</u>
<b><u>Assets</u></b>	
Current assets	<u>\$ 75,103</u>
Total assets	<u>75,103</u>
<b><u>Net Cash Assets</u></b>	
Restricted	12,678
Unrestricted	<u>62,425</u>
Total net cash assets	<u>\$ 75,103</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, net cash assets of the Academy totaled \$75,103. A portion of the Academy's net cash assets, \$12,678, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash assets of \$62,425 may be used for the Academy's ongoing operations.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The table below shows the changes in net cash assets for fiscal year 2012. Since this is the Academy's first year of operation, comparative information is not available.

**Change in Net Cash Assets**

	2012
<b><u>Operating Revenues</u></b>	
Foundation payments	\$ 748,004
Charges for services	464
Other	406
Total operating revenues	748,874
<b><u>Operating Expenses</u></b>	
Salaries and wages	449,002
Fringe benefits	110,782
Purchased services	324,831
Materials and supplies	101,509
Capital outlay	157,223
Other	14,769
Total operating expenses	1,158,116
<b><u>Non-operating revenues</u></b>	
Federal grants	263,751
Private grants	220,594
Total non-operating revenues	484,345
Change in net cash assets	75,103
Net cash assets at beginning of year	-
Net cash assets at end of year	\$ 75,103

The Academy received \$748,004 in state funding from foundation payments during fiscal year 2012. Federal grant programs included the Title VI-B, Title I, Title II, Federal Start-up, Public Charter School programs, and Nutrition Cluster. Private grants included \$220,594 from the Walton Family Foundation.

**Capital Assets and Debt Administration**

***Capital Assets***

The Academy does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

***Debt Administration***

The Academy does not have any debt obligations outstanding as of June 30, 2012.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Current Financial Related Activities**

The Academy is sponsored by St. Aloysius Orphanage. The Academy is reliant upon State Foundation monies and Federal and private grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other state and federal funds that are made available to finance its operations.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Dan Lamb, Treasurer, Academy of New Media Middle School, 43 South Douglas Street, Columbus, Ohio, 43205.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012**

<b>Assets:</b>	
Current Assets:	
Cash	<u>\$ 75,103</u>
Total Assets	<u>75,103</u>
<b>Net Cash Assets:</b>	
Restricted for:	
Restricted for federal programs	12,678
Unrestricted	<u>62,425</u>
Total Net Cash Assets	<u><u>\$ 75,103</u></u>

See accompanying notes to the financial statements.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - CASH BASIS  
JUNE 30, 2012**

<b>Operating Revenue:</b>	
Foundation Revenue	\$ 748,004
Charges for Services	464
Other	406
Total Operating Revenues	<u>748,874</u>
<b>Operating Expenses:</b>	
Salaries and Wages	449,002
Fringe Benefits	110,782
Purchased Services	324,831
Materials and Supplies	101,509
Capital Outlay	157,223
Other	14,769
Total Operating Expenses	<u>1,158,116</u>
Operating Loss	(409,242)
<b>Non-Operating Revenues:</b>	
Grants and Subsidies - Federal	263,751
Private Grants	220,594
Total Non-Operating Revenues	<u>484,345</u>
Change in Net Cash Assets	75,103
Net Cash Assets at Beginning of Year	-
Net Cash Assets at End of Year	<u>\$ 75,103</u>

See accompanying notes to the financial statements.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

The Academy of New Media Middle (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is committed to the unconditional pursuit of high academic achievement in a safe environment for students in grades 6-8. The Academy will utilize 21<sup>st</sup> Century skills and embrace new technological innovations to provide holistic, problem-based, and experiential learning to create life-long learners whose knowledge will benefit the community. 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 under contract with The St. Aloysius Orphanage (the "Sponsor") commencing on May 15, 2011 and ending on June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a Governing Authority which must contain at least five Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the Academy. The Governing Authority is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Authority controls the Academy's instructional/support facility staffed by employees who provide services to 119 students.

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

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the statements, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Academy elected not to apply this FASB guidance. Following are the more significant of the Academy's accounting policies.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Assets – Cash Basis and a Statement of Revenues, Expenses and Change in Net Assets – Cash Basis. The Statement of Net Assets – Cash Basis presents the cash balance of the Academy at fiscal year end.

The Statement of Revenues, Expenses and Changes in Net Assets – Cash Basis compares disbursements with receipts for each function of the Academy. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Academy is responsible.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**B. Basis of Accounting**

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

The Academy's financial statements are prepared using a single enterprise fund, cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**C. Budgetary Process**

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.39 of the Ohio Revised Code also requires the Academy to prepare a 5-year forecast, update it annually and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**D. Cash**

Cash received by the Academy is reflected as "cash" on the Statement of Net Assets – Cash Basis. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. The Academy did not have any investments during fiscal year 2011.

**E. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**F. Inventory and Prepaid Items**

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**G. Net Cash Assets**

Net cash assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**H. Operating Revenues and Expenses**

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

**I. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the Academy. Foundation payments for the fiscal year 2012 amounted to \$748,004.

Title VI-B, Title I, Title II, Federal Start-up, Public Charter School, and Nutrition Cluster grants are recognized as non-operating revenues in the accounting period in which they are received. The Academy received \$263,751 in federal grants and entitlements during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

**NOTE 4 - DEPOSITS**

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the carrying amount of the Academy's deposits was \$75,103 and the bank balance was \$128,810. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 5 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contribution for pension obligations and death benefits to SERS for the fiscal year ended June 30, 2012 was \$13,643; 100 percent has been contributed for fiscal year.

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

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 5 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012 was \$46,027; 100 percent has been contributed for fiscal year 2012.

**NOTE 6 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal year ended June 30, 2012 was \$591; 100 percent has been contributed for fiscal year 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contribution for Medicare Part B for the fiscal year ended June 30, 2012 was \$806; 100 percent has been contributed for fiscal year 2012.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal year ended June 30, 2012 was \$3,541; 100 percent has been contributed for fiscal year 2012.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 7 - RISK MANAGEMENT**

**A. Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Academy maintained the following coverage through Philadelphia Insurance Company:

<u>Coverage</u>	<u>Limits of Coverage</u>	
General liability:		
Each occurrence	\$ 1,000,000	
General aggregate	2,000,000	
Medical expenses	5,000	
Personal & advertising injury	1,000,000	
Damages to rented premises, per occurrence	100,000	
Products - aggregate	2,000,000	
Automobile liability:		
Combined single limit - each accident	1,000,000	
Excess/umbrella liability:		
Each occurrence	5,000,000	
Aggregate	5,000,000	
Retention	10,000	
Workers compensation and employers' liability:		
Each accident	1,000,000	
Disease - each employee	1,000,000	1,000,000
Disease - policy limit	1,000,000	
Educational professional - each occurrence/aggregate	1,000,000	
Employee benefits liability - each occurrence/aggregate	1,000,000	
Sexual/physical abuse - each occurrence/aggregate	1,000,000	
Directors and officers – each claim/aggregate	1,000,000	

Settled claims have not exceeded commercial coverage in the past year.

The Academy owns no property, but leases a facility located at 43 South Douglas St., Columbus, Ohio, 43205 (See Note 10 for detail).

**B. Workers' Compensation**

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

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 8 - CONTRACTS**

**A. Sponsor Contract**

The Academy entered into a sponsorship contract commencing on May 15, 2011 and ending on June 30, 2015 with St. Aloysius Orphanage (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Provide reasonable technical assistance to the Academy in complying with this contract and with applicable laws (provided however, the Sponsor shall not be obligated to give legal advice to the Academy);
- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the Academy experiences financial difficulties or losses before the end of the school year; and
- Abide by the requirements of its contract with the Ohio Department of Education, even should those requirements affect the Academy.

The Academy paid the Sponsor \$13,779 for services during fiscal year 2012.

**B. Service Contract**

The Academy entered into a service contract for a period of twelve months, commencing on July 1, 2011 and ending on June 30, 2012, with Charter School Specialists, LLC (CSS), to provide fiscal and Comprehensive Continuous Planning consulting services. The School paid CSS \$45,331 during fiscal year 2012 for these services.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 9 - PURCHASED SERVICES**

For fiscal year ended June 30, 2012, expenses for purchased services were as follows:

Professional and technical services	\$ 215,429
Property services	56,398
Communications	12,057
Utilities	<u>40,947</u>
Total	<u>\$ 324,831</u>

**NOTE 10 - OPERATING LEASES**

The Academy entered into an operating lease agreement with the Columbus City School District Board of Education (the "Lessor") to lease the Douglas Elementary school building and land located at 43 South Douglas Street, Columbus, Ohio, 43205. The initial lease term commenced April 1, 2011 and ends on June 30, 2016. The lease agreement grants the Academy five additional successive option terms of five years under the same terms and conditions as the initial lease term. The Academy must give the Lessor 180 days advance written notice of the exercise of its option to renew for each renewal term in accordance with the notice provisions of the lease agreement. This agreement is, in substance, a rental agreement (operating lease) and the lease payments are classified as purchased services in the financial statements.

Lease payments beginning September 1, 2011 through June 30, 2012 were established in the amount of \$10,825 per month. Lease payments for the year totaled \$52,704 during fiscal year 2012. The Academy was not required to pay rent until December 2011 due to having to pay out of pocket repairs for the HVAC system and ceiling tiles in the amount of \$32,000 and \$1,900, respectively. These repairs were deducted from the initial monthly lease payments.

A schedule of the future lease payments required under the operating lease at June 30, 2012 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2013	\$ 129,906
2014	133,268
2015	136,630
2016	<u>139,992</u>
Total payments	<u>\$ 539,796</u>

**NOTE 11 - FEDERAL TAX-EXEMPT STATUS**

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a 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 occurred that might adversely affect the Academy's tax-exempt status.

**ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 12 - CONTINGENCIES**

**A. Grants**

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The Academy has not been reviewed as of June 30, 2012. The Academy does not anticipate any significant adjustments to state funding for the fiscal year 2012, as a result of the reviews which have yet to be completed.



# Dave Yost • Auditor of State

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

Academy of New Media Middle School  
Franklin County  
43 South Douglas Street  
Columbus, Ohio 43205

To the Board of Trustees:

We have audited the financial statements of Academy of New Media Middle School, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 14, 2013, wherein we noted the Academy presented financial statements on the cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### 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, providing an opinion 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 2012-001.

Academy of New Media Middle  
Franklin County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 14, 2013.

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.

We intend this report solely for the information and use of management, Board of Trustees, St. Aloysius Orphanage, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

March 14, 2013

ACADEMY OF NEW MEDIA MIDDLE SCHOOL  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2012

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

FINDING NUMBER 2012-001

**Annual Report – Material Noncompliance**

Ohio Admin. Code Section 117-2-03(B) requires the Academy to report annually in accordance with generally accepted accounting principles (GAAP). For fiscal year 2012, the Academy prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Failure to file on the GAAP basis could compromise the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the Academy prepare and file their annual financial report on a GAAP basis as prescribed by the Ohio Administrative Code. This includes at the minimum financial statements, notes to the financial statements and a management's discussion and analysis.

**Official's Response:** As a cost-savings measure, the board passed a resolution to have the financials prepared on a cash basis versus GAAP basis. It is the board's intention to have the FY13 financials prepared on a GAAP basis.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Academy of New Media Middle School  
Franklin County  
43 South Douglas Street  
Columbus, Ohio 43205

To the Board of Trustees:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Academy of New Media Middle School (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. The Academy was new during fiscal year 2012. We noted the Board approved its anti-harassment policy on 1/18/2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying. We also noted the policy included all of the other previously required elements.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 14, 2013

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# Dave Yost • Auditor of State

ACADEMY OF NEW MEDIA MIDDLE SCHOOL

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  
MAY 28, 2013