

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2015*

DON ASH, TREASURER



Dave Yost • Auditor of State

Board of Directors
Achieve Career Preparatory Academy
301 Collingwood Boulevard
Toledo, Ohio 43602

We have reviewed the *Independent Auditor's Report* of the Achieve Career Preparatory Academy, Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Achieve Career Preparatory Academy is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 19, 2016

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**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Achieve Career Preparatory Academy, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory 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 Achieve Career Preparatory 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 Achieve Career Preparatory 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 Achieve Career Preparatory Academy, Lucas County as of June 30, 2015, 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.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Achieve Career Preparatory Academy adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 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.

The accompanying basic financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern. As described in Note 15 to the basic financial statements, the Achieve Career Preparatory Academy has current liabilities exceeding current assets, which raises substantial doubt about the Achieve Career Preparatory Academy's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 December 15, 2015, on our consideration of the Achieve Career Preparatory 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 Achieve Career Preparatory Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 15, 2015

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

The management's discussion and analysis of Achieve Career Preparatory Academy of Toledo's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements 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 new reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net position was (\$1,786,477) in 2015.
- Total assets were \$189,799 in 2015.
- Deferred outflows of resources were \$105,405 in 2015
- Liabilities were \$1,809,530 in 2015.
- Deferred inflows of resources were \$272,151 in 2015

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during 2015?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Table I provides a summary of the Academy's net position for fiscal years 2015 and 2014:

TABLE I	For the year ended	
	June 30, 2015	June 30, 2014 (restated)
Assets		
Current Assets	\$ 87,431	\$ 116,798
Non-Current Assets	102,368	136,634
Total assets	189,799	253,432
Deferred Outflows of Resources		
Pension	105,405	90,053
Total Deferred Outflows of Resources	105,405	90,053
Liabilities		
Current Liabilities	286,223	340,114
Noncurrent liabilities		
Due in More Than One Year		
Net Pension Liability	1,523,307	1,807,664
Non-current Liabilities	1,523,307	1,807,664
Total liabilities	1,809,530	2,147,778
Deferred Inflows of Resources		
Pension	272,151	-
Total Deferred Inflows of Resources	272,151	-
Net Position		
Invested in capital assets—net of related debt	73,201	107,467
Unrestricted	(1,859,678)	(1,911,760)
Total net position	\$ (1,786,477)	\$ (1,804,293)

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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 these financial statements 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 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 earning 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 the 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 this 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.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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 (\$86,682) to (\$1,804,293).

Total net position for the Academy increased \$17,817. Cash was \$10,076. Accounts Receivable decreased by \$14,601 due to change in method and timing of e-rate reimbursements. Contracts Payable decreased \$40,453 due to decreases in uncollected management fees and payroll. Net Capital Assets decreased \$34,266 due to the combination of depreciation expense and few capital additions during the year.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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

TABLE 2	For the year ended	
	June 30, 2015	June 30, 2014 (restated)
Operating Revenues		
Foundation Payments	\$ 1,425,660	\$ 1,323,738
Other Revenues	4,517	24,188
Nonoperating Revenues		
Federal Grants	255,699	351,190
State Grants	123,805	130,686
Contributions and Donations	279	
Refund of Prior Year Expenses	10,116	
Total revenue	1,820,076	1,829,802
Operating Expenses		
Purchased Services	1,642,409	1,775,476
Materials and Supplies	81,924	72,353
Depreciation (unallocated)	35,496	87,824
Other expenses	34,206	56,570
Nonoperating Expenses		
Interest	1,052	2,279
Refund of Prior Year Grant Funds	7,172	
Loss on Sale of Fixed Assets		1,140
Total expenses	1,802,259	1,995,642
Increase (Decrease) in Net Position	17,817	(165,840)
Net Position Beginning of Year	(1,804,293)	N/A
Net Position End of Year	\$ (1,786,476)	\$ (1,804,293)

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$90,053 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$63,656. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$1,802,259
Pension expense under GASB 68	(63,656)
2015 contractually required contribution	91,215
Adjusted 2015 program expenses	1,829,818
Total 2014 program expenses under GASB 27	1,995,642
Increase in program expenses not related to pension	\$165,824

Net position increased by \$17,817. Federal Grants decreased by \$95,491 due elimination of Race to the Top funding and reductions in all other grants except Title IIA. Foundation increased \$101,922 due to combination of increased student count and increased per-pupil funding. Depreciation Expense decreased by \$52,328 due to a combination of fully depreciated assets and small cost of additions.

Capital Assets

At the end of fiscal year 2015, the Academy had \$73,201 invested in capital assets (net of depreciation). Table 3 shows capital assets (net of depreciation) for fiscal years 2015 and 2014.

TABLE 3

	2015	2014
Furniture, fixtures and equipment	\$ 70,265	\$ 100,680
Leasehold Improvements	2,936	6,787
Totals	\$ 73,201	\$ 107,467

For more information on capital assets, see Note 6 to the basic financial statements.

Current Financial Issues

Achieve Career Preparatory Academy was formed in 2009. During the 2014-2015 school year there were 180 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2015 amounted to \$1,425,660.

ACHIEVE CAREER PREPARATORY ACADEMY OF TOLEDO
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Achieve Career Preparatory Academy, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

**Achieve Career Preparatory Academy
LUCAS COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets

Current Assets:

Cash and Cash Equivalents	\$	10,076
Intergovernmental Receivables		53,855
Prepaid Items		23,500
<i>Total Current Assets</i>		87,431

Non-Current Assets:

Security Deposits		29,167
Depreciable Capital Assets, Net		73,201
<i>Total Non-Current Assets</i>		102,368

<i>Total Assets</i>		189,799
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Deferred Outflows of Resources

Pension		105,405
<i>Total Deferred Outflows of Resources</i>		105,405

Liabilities

Current Liabilities:

Accounts Payable		6,379
Accrued Wages Payable		42,889
STRS-SERS Payable		2,439
Contracts Payable		161,823
Interest Payable		2,714
Notes Payable - Current Portion		67,847
Intergovernmental Payable		2,132
<i>Total Current Liabilities</i>		286,223

Non-Current Liabilities:

Due In More Than One Year		
Net Pension Liability		1,523,307
<i>Total Non-Current Liabilities</i>		1,523,307

<i>Total Liabilities</i>		1,809,530
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Deferred Inflows of Resources

Pension		272,151
<i>Total Deferred Inflows of Resources</i>		272,151

Net Position

Investment in Capital Assets		73,201
Unrestricted		(1,859,678)
<i>Total Net Position</i>		\$ (1,786,477)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Achieve Career Preparatory Academy
LUCAS COUNTY**

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

Operating Revenues	
Foundation Payments	\$ 1,425,660
Other Revenues	4,517
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<i>Total Operating Revenues</i>	<i>1,430,177</i>
	<hr/>
Operating Expenses	
Purchased Services	1,642,409
Materials and Supplies	81,924
Depreciation	35,496
Other	34,206
	<hr/>
<i>Total Operating Expenses</i>	<i>1,794,035</i>
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<i>Operating Loss</i>	<i>(363,858)</i>
	<hr/>
Non-Operating Revenues and Expenses	
Federal Grants	255,699
State Grants	123,805
Refund of Prior Year Grant Funds	(7,172)
Refund of Prior Year Expense	10,116
Contributions and Donations	279
Interest and Fiscal Charges	(1,052)
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<i>Total Non-Operating Revenues and Expenses</i>	<i>381,675</i>
	<hr/>
<i>Change in Net Position</i>	<i>17,817</i>
	<hr/>
<i>Net Position Beginning of Year (Restated - see Note 3)</i>	<i>(1,804,293)</i>
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<i>Net Position End of Year</i>	<i>\$ (1,786,477)</i>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Achieve Career Preparatory Academy
LUCAS COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 1,401,426
Cash Received from Other Operating Revenues	19,650
Cash Payments to Suppliers for Goods and Services	<u>(1,831,382)</u>

<i>Net Cash Used for Operating Activities</i>	<u>(410,306)</u>
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Cash Flows from Noncapital Financing Activities:

Federal Grants Received	294,283
State Grants Received	123,343
Refund of Prior Year Grant Funds	(7,172)
Refund of Prior Year Expenses	10,116
Contributions	279
Proceeds from Notes	75,000
Principal Payments	(75,000)
Interest Payments	(1,053)
Proceeds of Short Term Loans	1,500
Repayment of Short-Term Loans	<u>(1,500)</u>

<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>419,796</u>
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Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(1,231)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,231)</u>

<i>Net Increase in Cash and Cash Equivalents</i>	<u>8,259</u>
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<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,817</u>
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<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 10,076</u></u>
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(Continued)

**Achieve Career Preparatory Academy
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used by Operating Activities:**

Operating Loss	\$ (363,858)
 Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	35,496
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	14,602
(Increase)/Decrease in Intergovernmental Receivable	(30,700)
(Increase)/Decrease in Prepaid Items	15,603
(Increase)/Decrease in Deferred Outflows	(15,352)
Increase/(Decrease) in Accounts Payable	4,800
Increase/(Decrease) in Intergovernmental Payable	290
Increase/(Decrease) in Contracts Payable	(40,453)
Increase/(Decrease) in STRS-SERS Payable	(3,040)
Increase/(Decrease) in Accrued Wages Payable	(15,487)
Increase/(Decrease) in Net Pension Liability	(284,357)
Increase/(Decrease) in Deferred Inflows	<u>272,151</u>
 <i>Total Adjustments</i>	 <u>(46,448)</u>
 <i>Net Cash Provided by Operating Activities</i>	 <u><u>\$ (410,306)</u></u>

At June 30, 2015, \$17,679 of the Intergovernmental Receivable related to Nonoperating Activity.

At June 30, 2014, \$55,800 of the Intergovernmental Receivable related to Nonoperating Activity.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Achieve Career Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 102. The Academy's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy's programs are currently available to students in grades 9 – 12. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of one year commencing May 8, 2009, with a three-year renewal on July 1, 2010, a two-year renewal on July 1, 2013 and a five-year renewal on July 1, 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 or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by fourteen certificated teaching personnel and fourteen non-certificated personnel who provide services to 180 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee. (See Note 14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 net total position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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.

Revenues 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 fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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 budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a bank account in the Academy's name. Monies for the Academy are maintained in this account or temporarily used to purchase short-term investments.

F. Prepaid Items

Payments made to vendors for services in the amount of \$1,000 and greater that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which the services are consumed.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

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 values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture and equipment, land, and buildings, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application is also capitalized. The Academy does not possess 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 an asset's life are not.

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

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

H. Security Deposit

The Academy entered into a lease for the use of the building for the operation of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. The deposit totaled \$29,167 and is held by the lessor.

I. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Portions of net position are 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

K. 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 those estimates.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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/expenditure) 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 8.

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 until that time. For the Academy, deferred inflows of resources consist of pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 8).

M. Pension

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.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (continued)

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	(\$86,682)
Adjustments:	
Net Pension Liability	(1,807,664)
Payments Subsequent to Measurement Date	90,053
Restated Net Position June 30, 2014	(\$1,804,293)

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.

4. DEPOSITS AND INVESTMENTS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

5. RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, local revenue and refunds. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amount</u>
Title I	\$ 12,935
Casino Tax Revenue	4,744
JV39 Adjustment ODE	24,234
SERS Refund	7,232
Retirement due from other schools	4,710
Total	\$ 53,855

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

6. CAPITAL ASSETS

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

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$295,870	\$ 1,231	\$ -	\$ 297,101
Leasehold Improvements	126,723	-	-	126,723
Total Capital Assets				
Being Depreciated	422,593	1,231	-	423,824
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(195,189)	(31,646)	-	(226,835)
Leasehold Improvements	(119,937)	(3,851)	-	(123,788)
Total Accumulated Depreciation	(315,126)	(35,497)	-	(350,623)
Total Capital Assets				
Being Depreciated, Net	\$107,467	\$(34,266)	\$ -	\$ 73,201

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the Academy contracted with Philadelphia Insurance Company for general liability, property insurance and educational errors and omissions insurance. Settled claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

Coverage is as follows:

Educational Errors and Omissions:	
Part 1, D&O Liability	\$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal and ADV Injury	1,000,000
Vehicle	1,000,000
Property:	
Personal	250,000
BI	101,000
Umbrella:	3,000,000

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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS

A. 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 STRS-SERS payable on both the accrual bases of accounting.

B. 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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

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 \$30,669 for fiscal year 2015. The full amount has been contributed for fiscal year 2015.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

C. 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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

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 \$60,546 for fiscal year 2015. 95.97% has been contributed for fiscal year 2015. Of this amount, \$2,439 is reported as a STRS-SERS payable.

D. 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$425,828	\$1,097,479	\$1,523,307
Proportion of the Net Liability	.008414%	.00451202%	
Pension Expense	\$24,920	\$38,736	\$63,656

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	\$3,624	\$10,566	\$14,190
Academy contributions subsequent to the measurement date	<u>30,669</u>	<u>60,546</u>	<u>\$91,215</u>
Total Deferred Outflows of Resources	<u>\$34,293</u>	<u>\$71,112</u>	<u>\$105,405</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$69,113</u>	<u>\$203,038</u>	<u>\$272,151</u>
Total Deferred Inflows of Resources	<u>\$69,113</u>	<u>\$203,038</u>	<u>\$272,151</u>

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$91,215 reported as deferred outflows of resources related to pension resulting from the Academy's 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	(\$16,372)	(\$48,118)	(\$64,490)
2017	(\$16,372)	(\$48,118)	(\$64,490)
2018	(\$16,372)	(\$48,118)	(\$64,490)
2019	<u>(\$16,373)</u>	<u>(\$48,118)</u>	<u>(\$64,491)</u>
	<u>(\$65,489)</u>	<u>(\$192,472)</u>	<u>(\$257,961)</u>

E. 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

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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	\$607,530	\$425,828	\$273,001

F. 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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions - STRS (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
 Total	 <u>100.00 %</u>	

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	\$1,571,161	\$1,097,479	\$696,904

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District 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 \$4,206.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,909, \$4,159, and \$2,306, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System of Ohio

Plan Description – The School District 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.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

9. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio (continued)

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 School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$4,315, and \$5,299, respectively.

The full amount has been contributed for fiscal years 2014 and 2013.

10. CONTINGENCIES

A. Grants

The Academy received 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 of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. The review of fiscal year 2015 resulted in additional funds due to the Academy of \$24,234. This amount has been reported as an intergovernmental receivable on the statement of net position.

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	\$ 639,232
Benefits	201,214
Other Professional and Technical Services	85,973
The Leona Group, LLC	215,832
Legal Services	2,100
Buckeye Community Hope Foundation	45,661
Cleaning Services	6,705
Repairs and Maintenance	8,143
Building Rental	282,000
Other Rentals	11,927
Communication	32,440
Advertising	18,085
Contracted Food Service	62,589
Pupil Transportation	30,508
Total Purchased Services	\$1,642,409

12. OPERATING LEASES

The Academy has entered into a lease for the period July 1, 2009 through June 30, 2014 with MFB Hamilton Properties, Ltd. with an addendum dated December 3, 2013 extending the lease to June 30, 2016. Payments made totaled \$282,000 for the fiscal period.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2015.

Fiscal Year Ending June 30, 2016	Facility Lease <u>\$282,000.00</u>
Total Future Minimum Payments	<u>\$282,000.00</u>

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

13. NOTES PAYABLE/NON-CURRENT LIABILITY

Debt Activity During 2015 was as follows:

	Balance at <u>06/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/2015</u>
RBS Citizens NA	\$ -	\$ 75,000	\$ 75,000	\$ -
Promissory Note	67,847	-	-	67,847
Net Pension Liability	1,807,664	-	284,357	1,523,307
Total	<u>\$ 1,875,511</u>	<u>\$ 75,000</u>	<u>\$ 359,357</u>	<u>\$ 1,591,154</u>

The Academy entered into a loan agreement with RBS Citizens NA Bank on September 25, 2014 with a maturity date of June 30, 2015. This agreement provided the Academy with \$75,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner.

The Academy entered into a loan agreement with The Leona Group, LLC on June 30, 2011 with a maturity date of June 30, 2015. Plans to re-finance the note have not yet been finalized. This agreement provided the Academy with \$67,847 for operations of the Academy. The annual rate of interest is 4%. The loan agreement contains a provision to prepay the note prior to maturity based on the audited fund balance as of fiscal year end. Since the current and non-current portions cannot be determined, the entire balance is recorded as a current liability.

See Note 8 for detail on the Academy's net pension liability.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a ten year, two month contract, effective May 8, 2009 through June 30, 2019, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the gross revenue. The amount paid to TLG for fiscal period 2015 totaled \$215,832. Terms of the contracts require TLG to provide the following:

- A. implementation and administration of the Educational Program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services. Indirect costs benefitting more than one school are charged to each school pro rated based on how the related service is rendered or costs incurred (i.e. actual expenses incurred, student count, or staffing levels.)

**ACHIEVE CAREER PREPARATORY ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)**

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

For the year ended June 30, 2015, those expenses are as follows:

Salaries	\$639,232
Benefits	228,772
Advertising	5,565
Communications	742
Contracted Trades	1,261
Materials and Supplies	6,935
Other Direct Costs	954
Other Professional and Technical Services	23,220
Indirect Costs	3,074
Total Related Party Transactions	<u><u>\$909,757</u></u>

At June 30, 2015, the Academy had payables to The Leona Group, LLC in the amount of \$161,823. The following is a schedule of payables to The Leona Group, LLC.:

Management Fees	\$ 157,929
Payroll	(726)
Miscellaneous	4,620
Total	<u><u>\$ 161,823</u></u>

15. GOING CONCERN

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Academy as a going concern.

The Academy had an operating loss of \$363,858, an increase in net position of \$17,817 and current liabilities exceeding current assets by \$198,792 during fiscal year 2015.

The Academy's student enrollment for the 2014-2015 school year was below the Academy's initial forecast and below the level necessary for the Academy to function financially without financial assistance from the management company. The Academy's 2015-2016 enrollment continues to lag behind desired levels for the Academy to function financially on its own. Grassroots and social media marketing strategies will be undertaken to help increase enrollment. Expenditure cuts are also being implemented.

16. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizens NA Bank on August 24, 2015 with a maturity date of June 30, 2016. This agreement provides the Academy with \$76,000 for operations of the Academy. The annual rate of interest is a floating rate equal to the Prime Rate, as determined by the Registered Owner.

REQUIRED SUPPLEMENTARY INFORMATION

Achieve Career Preparatory Academy
Lucas County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability (asset)	0.00451202%	0.00451202%
School District's proportionate share of the net pension liability (asset)	\$ 1,097,479	\$ 1,307,310
School District's covered-employee payroll	\$ 431,508	\$ 529,969
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	254.34%	246.68%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability (asset)	0.00841400%	0.00841400%
School District's proportionate share of the net pension liability (asset)	\$ 425,828	\$ 500,354
School District's covered-employee payroll	\$ 245,000	\$ 220,549
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.81%	226.87%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Achieve Career Preparatory Academy
Lucas County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>State Teachers Retirement System (STRS)</i>										
Contractually Required Contribution	\$ 60,546	\$ 56,096	\$ 68,896	\$ 97,520	\$ 103,329	\$ 62,207	n/a	n/a	n/a	n/a
Contributions in Relation to the Contractually Required Contribution	<u>(60,546)</u>	<u>(56,096)</u>	<u>(68,896)</u>	<u>(97,520)</u>	<u>(103,329)</u>	<u>(62,207)</u>	n/a	n/a	n/a	n/a
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>				
School District's covered-employee payroll	\$ 432,471	\$ 431,508	\$ 529,969	\$ 750,154	\$ 794,838	\$ 478,515	n/a	n/a	n/a	n/a
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	n/a	n/a	n/a	n/a
<i>School Employees Retirement System (SERS)</i>										
Contractually required contribution	\$ 30,669	\$ 33,957	\$ 30,524	\$ 27,328	\$ 23,552	\$ 21,050	n/a	n/a	n/a	n/a
Contributions in relation to the contractually required contribution	<u>(30,669)</u>	<u>(33,957)</u>	<u>(30,524)</u>	<u>(27,328)</u>	<u>(23,552)</u>	<u>(21,050)</u>	n/a	n/a	n/a	n/a
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>				
School District's covered-employee payroll	\$ 232,693	\$ 245,000	\$ 220,549	\$ 203,182	\$ 187,367	\$ 155,465	n/a	n/a	n/a	n/a
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	n/a	n/a	n/a	n/a

n/a - FY2010 was the Academy's first year of operation



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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*

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

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 Achieve Career Preparatory Academy, Lucas County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory Academy's basic financial statements and have issued our report thereon dated December 15, 2015, wherein we noted as discussed in Note 3, the Achieve Career Preparatory Academy adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Furthermore, the accompanying financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern as discussed in Note 15.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Achieve Career Preparatory 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 Achieve Career Preparatory 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 Achieve Career Preparatory 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.

Board of Directors
Achieve Career Preparatory Academy

Compliance and Other Matters

As part of reasonably assuring whether the Achieve Career Preparatory 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 Achieve Career Preparatory Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Achieve Career Preparatory Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 15, 2015

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Dave Yost • Auditor of State

ACHIEVE CAREER PREPARATORY ACADEMY

LUCAS 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 17, 2016**