



Dave Yost • Auditor of State



**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Berwyn East Academy  
Franklin County  
1850 Bostwick Road  
Columbus, Ohio 43227

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Berwyn East Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no 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 Berwyn East Academy, Franklin County, Ohio as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 schedule of 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 May 10, 2016, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 10, 2016

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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

The management's discussion and analysis of the Berwyn East Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for fiscal year 2015, which was the second year of operation for the Academy. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position was \$26,110 at June 30, 2015.
- The Academy had operating revenues of \$818,962, operating expenses of \$950,728, non-operating revenues of \$207,617, and non-operating expenses of \$544 for fiscal year 2015. Total change in net position for the Academy was an increase of \$75,307.

**Using the Basic Financial Statements**

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

**Reporting Academy's Financial Activities**

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

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

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

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-23 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's pension contributions. The required supplementary information can be found on pages 25 through 27 of this report.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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

The table below provides a summary of the Academy's net position for fiscal years 2015 and 2014.

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Current assets	\$ 89,622	\$ 3,057
Non-current assets	<u>11,652</u>	<u>13,374</u>
Total assets	<u>101,274</u>	<u>16,431</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>61,396</u>	-
Total deferred outflows of resources	<u>61,396</u>	-
<b><u>Liabilities</u></b>		
Current liabilities	130,602	58,126
Non-current liabilities	<u>5,958</u>	<u>7,502</u>
Total liabilities	<u>136,560</u>	<u>65,628</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	6,027	247
Unrestricted (deficit)	<u>20,083</u>	<u>(49,444)</u>
Total net position	<u>\$ 26,110</u>	<u>\$ (49,197)</u>

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2015, the Academy's net position was \$26,110 compared to a deficit of \$49,197 at June 30, 2014.

Current assets include the Academy's demand deposit account and intergovernmental receivables. Current liabilities include accounts payable due to vendors for goods and services, accrued wages and benefits, and an intergovernmental payable (see Note 2.H for detail).

Deferred outflows of resources are reported in accordance with GASB Statement No. 68, see Note 12 to the basic financial statements for detail.

Non-current assets include a security deposit receivable and capital assets. Long-term obligations include a capital lease obligation for copier equipment.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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

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

**Change in Net Position**

	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenues:</u></b>		
Sales	\$ -	\$ 29,810
State foundation	781,428	490,789
Rental income	37,534	27,000
Total operating revenue	<u>818,962</u>	<u>547,599</u>
<b><u>Non-operating Revenues:</u></b>		
Federal and State subsidies	207,517	1,765
Contributions and donations	100	-
Other non-operating revenues	-	8,131
Total non-operating revenues	<u>207,617</u>	<u>9,896</u>
Total revenues	<u>1,026,579</u>	<u>557,495</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	476,580	3,240
Fringe benefits	86,869	-
Purchased services	282,350	571,966
Materials and supplies	102,130	17,326
Depreciation	1,722	861
Other	1,077	12,841
Total operating expenses	<u>950,728</u>	<u>606,234</u>
<b><u>Non-operating Expenses:</u></b>		
Interest expense	544	458
Total non-operating expenses	<u>544</u>	<u>458</u>
Total expenses	<u>951,272</u>	<u>606,692</u>
Change in net position	75,307	(49,197)
Net position at beginning of year	<u>(49,197)</u>	<u>-</u>
Net position at end of year	<u>\$ 26,110</u>	<u>\$ (49,197)</u>

Fiscal year 2015 was the second year of operations for the Academy. Student enrollment increased from 74 students in fiscal year 2014 to 123 students in fiscal year 2015. The increase in enrollment contributed to the increase in overall revenues and expenses. The Academy is reliant upon State foundation revenue to support operations, with 76 percent of fiscal year 2015 revenue coming from State foundation. The Academy was the recipient of Federal grants during fiscal year 2015, including the Federal breakfast and lunch, Title VI-B, Title I and Title II-A programs. The Academy did not receive any federal grants during fiscal year 2014.

Purchased services were the largest expenses of the Academy during fiscal year 2014. The Academy contracted with its Sponsor, North Central Ohio ESC for fiscal and personnel services for fiscal year 2014. During fiscal year 2015 the Academy employed its own personnel.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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

**Capital Assets and Long-Term Obligations**

The Academy had \$6,027 and \$7,749 in capital assets, net of depreciation, June 30, 2015 and 2014, respectively. See Note 6 to the basic financial statements for detail.

The Academy had \$5,958 and \$7,502 in long-term obligations (capital lease obligation) outstanding at June 30, 2015 and 2014, respectively. See Note 7 to the basic financial statements for detail.

**Current Financial Related Activities**

The Academy is reliant upon State Foundation monies 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 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. Todd Johnson, Treasurer of Berwyn East Academy, 1850 Bostwick Road, Columbus, Ohio 43227.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Assets:</b>	
Current assets:	
Cash . . . . .	\$ 37,436
Receivables:	
Intergovernmental . . . . .	52,186
Total current assets . . . . .	89,622
Non-current assets:	
Security deposit receivable. . . . .	5,625
Depreciable capital assets, net . . . . .	6,027
Total non-current assets. . . . .	11,652
Total assets . . . . .	101,274
<b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	38,344
Pension - SERS . . . . .	23,052
Total deferred outflows of resources . . . . .	61,396
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	16,428
Accrued wages and benefits . . . . .	95,254
Intergovernmental payable . . . . .	18,920
Total current liabilities . . . . .	130,602
Non-current liabilities:	
Due within one year. . . . .	1,672
Due in more than one year . . . . .	4,286
Total non-current liabilities . . . . .	5,958
Total liabilities . . . . .	136,560
<b>Net position:</b>	
Investment in capital assets . . . . .	6,027
Unrestricted . . . . .	20,083
Total net position . . . . .	\$ 26,110

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 781,428
Rental income . . . . .	37,534
Total operating revenues . . . . .	818,962
<b>Operating expenses:</b>	
Salaries and wages. . . . .	476,580
Fringe benefits. . . . .	86,869
Purchased services. . . . .	282,350
Materials and supplies . . . . .	102,130
Other. . . . .	1,077
Depreciation . . . . .	1,722
Total operating expenses . . . . .	950,728
Operating loss. . . . .	(131,766)
<b>Non-operating revenues (expenses):</b>	
Federal and state subsidies. . . . .	207,517
Contributions and donations. . . . .	100
Interest expense . . . . .	(544)
Total nonoperating revenues (expenses) . . . . .	207,073
Change in net position . . . . .	75,307
<b>Net position (deficit) at beginning of year . . . . .</b>	<b>(49,197)</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 26,110</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

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

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 775,662
Cash received from rental income . . . . .	37,534
Cash payments for salaries and wages. . . . .	(386,374)
Cash payments for fringe benefits . . . . .	(132,857)
Cash payments for purchased services . . . . .	(326,426)
Cash payments for materials and supplies . . . . .	(98,271)
Cash payments for other expenses . . . . .	(1,077)
	<hr/>
Net cash used in operating activities . . . . .	(131,809)
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<b>Cash flows from noncapital financing activities:</b>	
Cash received from Federal and State subsidies. . . . .	168,188
Cash received from contributions and donations . . . . .	100
	<hr/>
Net cash provided by noncapital financing activities. . . . .	168,288
	<hr/>
<b>Cash flows from capital and related financing activities:</b>	
Principal retirement on capital lease . . . . .	(1,544)
Interest expense on capital lease . . . . .	(544)
	<hr/>
Net cash used in capital and related financing activities. . . . .	(2,088)
	<hr/>
Net increase in cash . . . . .	34,391
<b>Cash at beginning of year . . . . .</b>	<b>3,045</b>
<b>Cash at end of year. . . . .</b>	<b>\$ 37,436</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (131,766)
Adjustments:	
Depreciation . . . . .	1,722
Changes in assets, deferred outflows, and liabilities:	
(Increase) in intergovernmental receivable . . . . .	(12,845)
(Increase) in deferred outflows - pensions. . . . .	(61,396)
(Decrease) in accounts payable . . . . .	(38,698)
Increase in accrued wages and benefits . . . . .	95,254
Increase in intergovernmental payable. . . . .	18,920
(Decrease) in security deposit payable. . . . .	(3,000)
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Net cash used in operating activities . . . . .	\$ (131,809)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Berwyn East Academy (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to provide students in primary grades with the best programming and teaching techniques available using Direct Instruction. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution on April 10, 2013 with North Central Ohio Educational Service Center (the "Sponsor") for a period of five years commencing on July 1, 2013 and ending June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to terminate the contract or deny renewal of the contract at its expiration.

The Academy operates under the direction of a Board of Directors which 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 Board of Directors controls the Academy's one instructional/support facility staffed by 6 classified and 8 certified, teaching personnel who provide services to 123 students.

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

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

**A. Basis of Presentation**

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

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, and liabilities are included on the statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net 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 basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources have been reported for the Academy's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the Academy's net pension liability. The Academy did not have a net pension liability at June 30, 2015 (see Note 12 for detail).

**E. 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 Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**F. Cash**

Cash received by the Academy is reflected as "cash" on the statement of net position. 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 2015.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 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 deletions during the year. The Academy has established a capitalization threshold of \$1,500. The Academy does not have any infrastructure. 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 capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Leased equipment is being depreciated over five years.

**H. Intergovernmental Payables**

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

Accrued wages and benefits payable - a liability has been recognized at June 30, 2015 for salary payments and benefits made after year-end for services rendered in fiscal year 2015.

Intergovernmental payable - consists primarily of payments for the employer's share of the pension and postemployment retirement contributions (\$12,629), workers compensation (\$3,261), Medicare (\$1,308), and (\$1,722) to the Treasurer, State of Ohio, associated with services rendered during fiscal year 2015, but were not paid until the subsequent year.

**I. Net Position**

Net position represents the difference between assets, deferred outflows of resources and liabilities. Net investment in capital assets represents capital assets, net of accumulated depreciation and related debt. Net position is 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 position is available.

**J. Operating Revenues and Expenses**

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

**K. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Opportunity Grant, Special Education, K-3 Literacy, Targeted Assistance, and Facilities Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2015 school year totaled \$781,428.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Non-operating grant revenue from Federal and State subsidies received during fiscal year 2015 totaled \$207,517.

**L. Accrued Liabilities**

All payables, accrued liabilities and long-term obligations are reported on the statement of net position.

**M. Economic Dependency**

The Academy receives approximately 95% of its operating revenue from ODE. Due to the significance of this revenue, the Academy is considered to be economically dependent on the ODE.

**N. Pensions**

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

**O. Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", 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. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Academy's pension plan disclosures, as presented in Note 12, and added required supplementary information which is presented after the notes to the basic financial statements. The implementation of GASB Statement No. 68 did not have an effect on net position at July 1, 2014.

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

**NOTE 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, 2015, the carrying amount was \$37,436 and the bank balance of the Academy's deposits was \$40,474. 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.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants and entitlements and amounts due from other governments. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivable:</b>	<u>Amount</u>
Federal breakfast and lunch reimbursement	\$ 8,383
Foundation adjustment	5,778
Title VI-B	1,785
Title I	28,111
Title II-A	1,050
SERS	6,174
STRS	<u>905</u>
Total intergovernmental receivables	<u>\$ 52,186</u>

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 6 - CAPITAL ASSETS**

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

	Balance 06/30/14	Additions	Reductions	Balance 06/30/15
Capital assets, being depreciated:				
Leased equipment	\$ 8,610	\$ -	\$ -	\$ 8,610
Less: accumulated depreciation				
Leased equipment	<u>(861)</u>	<u>(1,722)</u>	<u>-</u>	<u>(2,583)</u>
Capital assets, net	<u>\$ 7,749</u>	<u>\$ (1,722)</u>	<u>\$ -</u>	<u>\$ 6,027</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

**Capital Lease**

The following is a summary of the Academy's long-term obligations activity in fiscal year 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Capital lease	<u>\$ 7,502</u>	<u>\$ -</u>	<u>\$ (1,544)</u>	<u>\$ 5,958</u>	<u>\$ 1,672</u>

During fiscal year 2014, the Academy entered into a copier lease agreement which meets the criteria for reporting as a capital lease. Capital assets consisting of leased equipment has been capitalized in the amount of \$8,610, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal and interest payments in fiscal year 2015 were \$1,544 and \$544, respectively. At June 30, 2015, the book value and accumulated depreciation of the leased equipment were \$6,027 and \$2,583, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2016	\$ 2,088
2017	2,088
2018	2,088
2019	<u>522</u>
Total minimum lease payments	6,786
Less: amount representing interest	<u>(828)</u>
Present value of minimum lease payments	<u>\$ 5,958</u>

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 8 - OPERATING LEASE**

**Lessee Disclosure**

The Academy and Sponsor (collectively the “lessee”) entered into an agreement to lease building space from Obermiller LLC. The initial term of the lease commenced on March 1, 2013 and ends on June 30, 2018. Upon expiration of the initial term, the lessee has the right to renew the lease for one additional period of three years. The monthly rent amount is subject to adjustment each calendar quarter based upon student enrollment, as provided by the terms included in the lease agreement.

In accordance with the lease agreement, a security deposit of one month’s rent in the amount of \$5,625 was paid by the Academy and has been reported as a receivable on statement of net position.

**NOTE 9 - PURCHASED SERVICES**

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

Professional and technical services	\$ 109,304
Property services	94,110
Travel/mileage/meeting	7,674
Communications	23,719
Utilities	39,461
Contracted craft or trade	7,703
Other	<u>379</u>
Total	<u>\$ 282,350</u>

**NOTE 10 - RISK MANAGEMENT**

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 contracted personnel; and natural disasters. For fiscal year 2015, the Academy contracted with The Cincinnati Insurance Company for directors, officers, trustees and organization liability coverage with a limit of \$1,000,000 and a \$5,000 deductible.

There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced since the prior year.

**NOTE 11 - SPONSOR CONTRACT**

The Academy entered into a sponsorship contract commencing on July 1, 2013 and ending on June 30, 2018, with the North Central Ohio Educational Service Center (the “Sponsor”) for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Attend training sessions as required by the Ohio Department of Education (ODE);
- Prior to the Academy’s opening for instruction, verify by a site visit whether the Academy complies with all legal and contractual requirements;
- Monitor the Academy’s compliance with all applicable laws and with the terms of the contract;

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - SPONSOR CONTRACT - (Continued)**

- Conduct comprehensive site visits to the Academy as necessary;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Submit a written report of the evaluations conducted to the parents and students enrolled in the Academy and to ODE by November 30<sup>th</sup> of each year;
- Provide technical assistance to the Academy in complying with all laws and terms of the contract;
- Comply with the financial reporting requirements as established by ODE, and report the Academy's financial records in accordance with applicable accounting standards and as prescribed by law;
- Notify ODE within twenty-four hours of the Academy's failure to comply with applicable laws or contract requirements, as well as any financial difficulties. If such financial difficulties occur and may result in the Sponsor's determination to declare the Academy to be on probationary status, to suspend the operations of the Academy, or terminate the contract. In such circumstances, the Sponsor shall provide written notice to ODE within 30 days of the Academy's noncompliance or financial difficulties, specifying the exact nature of the problem and the plan for and status of any resolution;
- Take steps to intervene in the Academy's operation to correct problems with overall performance, declare the Academy to be on a probationary status pursuant to Ohio Revised Code Section 3314.073, suspend the operation of the Academy pursuant to Ohio Revised Code 3314.072 or terminate the contract pursuant to Ohio Revised Code 3314.07;
- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or closes prior to the end of a school year.

The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring. The Academy paid \$26,051 in sponsor fees during fiscal year 2015.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

The Academy contracted with the North Central Ohio Educational Service Center during fiscal year 2014 to provide employee services and to pay those employees. The Academy began employing its own personnel and contributing to the pension systems for fiscal year 2015. Therefore, a net pension liability was not applicable for the Academy at the measurement date of June 30, 2014 and was not reported by the Academy at June 30, 2015 or June 30, 2014.

***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](http://www.ohsers.org) under Employers/Audit Resources.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (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 \$23,052 for fiscal year 2015.

***Plan Description - State Teachers Retirement System (STRS)***

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

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

The Academy's contractually required contribution to STRS was \$38,344 for fiscal year 2015.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Deferred Outflows of Resources*

At June 30, 2015, the Academy reported deferred outflows of resources from the following sources:

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Academy contributions subsequent to the measurement date	\$ 23,052	\$ 38,344	\$ 61,396

\$61,396 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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 had no surcharge obligation.

The Academy's contribution for health care for the fiscal year ended June 30, 2015 was \$3,003. The full amount has been contributed for fiscal year 2015.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System**

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contribution for health care for the fiscal year ended June 30, 2015 was \$0.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The Academy receives significant financial assistance from numerous federal, State and local 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

**B. Litigation**

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

**C. Full Time Equivalency**

ODE conducts reviews of enrollment data and 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. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the most recent fiscal year 2015 FTE review, ODE owed the Academy \$5,778. This amount has been recorded as an intergovernmental receivable on the financial statements.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

CURRENT FISCAL YEAR

	<u>2015</u>
Contractually required contribution	\$ 23,052
Contributions in relation to the contractually required contribution	<u>(23,052)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Academy's covered-employee payroll	\$ 174,901
Contributions as a percentage of covered-employee payroll	13.18%

Note: The Academy began contributing to SERS during fiscal year 2015.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

CURRENT FISCAL YEAR

	<u>2015</u>
Contractually required contribution	\$ 38,344
Contributions in relation to the contractually required contribution	<u>(38,344)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Academy's covered-employee payroll	\$ 273,886
Contributions as a percentage of covered-employee payroll	14.00%

Note: The Academy began contributing to STRS during fiscal year 2015.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

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# Dave Yost • Auditor of State

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

Berwyn East Academy  
Franklin County  
1850 Bostwick Road  
Columbus, Ohio 43227

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 Berwyn East Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 10, 2016, wherein we noted the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

***Entity's Response to Findings***

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 10, 2016

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015**

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

**FINDING NUMBER 2015-001**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments and reclassification were made to the Academy's financial statements and accounting records:

- Adjustment to increase cash by \$2,925 due to the Treasurer not entering the July 1, 2014 beginning fund balance in the accounting system when the Academy switched to the USAS accounting software.
- Adjustment to increase cash by \$5,530 due to an expenditure that was double-booked by the Treasurer.
- Reclassification of state grant receipts misposted as State Foundation in the amount of \$103,791.

The Academy has recorded these adjustments and reclassification to the financial statements and accounting records.

We recommend the Academy implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

**Officials' Response:**

The Treasurer entered beginning balances to the system during fiscal year 2016.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002**

**Public Money Illegally Expended – Finding for Recovery Resolved Under Audit**

From August 20, 2014 through October 5, 2014, the Academy did not withhold retirement from employee paychecks. During this timeframe, the Academy paid both the employer and employee share of retirement contributions required by the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). The Academy made the following payments without formal approval by the Board:

<b>Individual</b>	<b>Employee Share of Retirement</b>
Sharon Culver	\$600
Amber Murphy	225
Glinda Pickett	413
L'Erin Price	683
Ebon'e Walker	271
Beatriz Wisher	112
Kimyata Conwell	165
Tekiesha Goolsby	600
JoVonne Houpe	660
Shannan Jones	1,240
Emily Leader	450
Seana Marshall	600
Meghann Moore	450
<b>Total</b>	<b>\$6,469</b>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public money illegally expended is hereby issued against each individual as described above, and in favor of Berwyn East Academy for \$6,469.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. (1929), 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2015-002 (Continued)**

**Public Money Illegally Expended – Finding for Recovery Resolved Under Audit (Continued)**

The former Treasurer was bonded through Cincinnati Insurance Company. The former Treasurer signed the checks resulting in improper payments. Former Treasurer James Szabo, and his bonding company Cincinnati Insurance Company, respectively, will be jointly and severally liable in the amount of \$6,469 and in favor of Berwyn East Academy to the extent that recovery is not obtained from the individuals named in the finding above.

On April 20, 2016, the Board passed a resolution to retro-actively approve the payments listed in the finding above.

**Officials' Response:**

As noted above, this was corrected by the Board passing a resolution to retro-actively approve the payments as was the original intent.

**BERWYN EAST ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Significant Deficiency – Monthly Bank Reconciliations	No	Partially corrected. Similar comment is being issued in current audit management letter.



# Dave Yost • Auditor of State

**BERWYN EAST ACADEMY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 28, 2016**