

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015



Dave Yost • Auditor of State

Board of Directors
Maritime Academy of Toledo
803 Water Street
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Maritime Academy of Toledo, Lucas County, prepared by Weber O'Brien Ltd., 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 Maritime Academy of Toledo 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 24, 2016

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**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

Report on the Financial Statements

We have audited the accompanying financial statements of the Maritime Academy of Toledo, Lucas County ("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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors
Maritime Academy of Toledo
Lucas County

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Maritime Academy of Toledo, Lucas County, as of June 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4 to the financial statements, the Academy adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 9 and the supplemental pension disclosure information on pages 35 - 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Directors
Maritime Academy of Toledo
Lucas County

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maritime Academy of Toledo, Lucas County's basic financial statements. The schedule of expenditures of federal awards on page 42 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Maritime Academy of Toledo, Lucas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Maritime Academy of Toledo, Lucas County's internal control over financial reporting and compliance.



December 18, 2015

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The management's discussion and analysis of the Maritime Academy of Toledo's (the "Academy") 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 also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position was a deficit of \$1,234,744 at June 30, 2015.
- The Academy had operating revenues of \$2,243,327, operating expenses of \$2,538,282 and non-operating revenues and expenses of \$710,806 for fiscal year 2015. Total change in net position for the fiscal year was an increase of \$415,851.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes 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, deferred inflows of resources, 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 changes in that 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.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Notes to the Basic Financial Statements

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 12 - 34 of this report.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Academy's net pension liability. This required supplementary information can be found on pages 35 - 41 of this report.

The table below provides a summary of the Academy's net position for fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 4.

	Net Position	
	<u>2015</u>	<u>Restated 2014</u>
<u>Assets</u>		
Current assets	\$ 705,945	\$ 579,778
Capital assets, net	<u>2,292,469</u>	<u>2,365,608</u>
Total assets	<u>2,998,414</u>	<u>2,945,386</u>
<u>Deferred outflows</u>	<u>184,373</u>	<u>134,163</u>
<u>Liabilities</u>		
Current liabilities	180,251	219,132
Non-current liabilities:		
Due within one year	111,792	107,335
Net pension liability	2,223,626	2,640,517
Other amounts due in more than one year	<u>1,502,063</u>	<u>1,763,160</u>
Total liabilities	<u>4,017,732</u>	<u>4,730,144</u>
<u>Deferred inflows</u>	<u>399,799</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	678,614	495,113
Restricted	41,872	34,351
Unrestricted (deficit)	<u>(1,955,230)</u>	<u>(2,180,059)</u>
Total net position (deficit)	<u>\$ (1,234,744)</u>	<u>\$ (1,650,595)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Academy's net position totaled a deficit of \$1,234,744. The overall increase of \$415,851 in net position is partially due to an increase of \$131,222 in cash and cash equivalents. The increase in cash and cash equivalents was the result of the Academy receiving additional grants and aid from the State. The Academy made \$256,640 in principal payments on the mortgage during fiscal year 2015, decreasing the non-current liabilities.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

A portion of the Academy's net position, \$41,872 represents resources that are subject to external restrictions on how they may be used.

At year-end, capital assets represented 76.46% of total assets. Capital assets consisted of land, land improvements, building and improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$678,614. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$855,759 to a deficit of \$1,650,595.

The table on the following page shows the changes in net position for fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 4.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Change in Net Position

	<u>2015</u>	<u>Restated 2014</u>
<u>Operating Revenues:</u>		
Foundation payments	\$ 1,734,017	\$ 1,561,318
Special education payments	468,489	382,183
Extracurricular	11,964	13,161
Food services	6,306	2,529
Classroom fees	15,143	17,016
Other	<u>7,408</u>	<u>10,922</u>
Total operating revenue	<u>2,243,327</u>	<u>1,987,129</u>
<u>Operating Expenses:</u>		
Salaries and wages	1,200,740	1,048,201
Fringe benefits	286,589	274,157
Purchased services	528,070	519,738
Materials and supplies	265,320	229,423
Depreciation	97,837	93,729
Other	<u>159,726</u>	<u>143,053</u>
Total operating expenses	<u>2,538,282</u>	<u>2,308,301</u>
<u>Non-operating Revenues (Expenses):</u>		
Grants and subsidies	660,106	666,541
Interest and fiscal charges	(89,300)	(96,846)
Insurance Proceeds	<u>140,000</u>	<u>-</u>
Total non-operating revenues	<u>710,806</u>	<u>569,695</u>
Change in net position	415,851	248,523
Net position at beginning of year (restated)	<u>(1,650,595)</u>	<u>(1,899,118)</u>
Net position at end of year	<u>\$ (1,234,744)</u>	<u>\$ (1,650,595)</u>

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation basic aid. State foundation basic aid and special education attributed to 74.56% of total operating and non-operating revenues during fiscal year 2015. Salaries and fringe benefits comprise 58.60% of operating expenses.

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 operating expenses still include pension expense of \$134,163 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 \$96,234. Consequently, in order to compare 2015 total operating expenses to 2014, the following adjustments are needed:

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

Total 2015 operating expenses under GASB 68	\$ 2,538,282
Pension expense under GASB 68	
2015 contractually required contributions	(96,234)
Net pension liability	<u>163,536</u>
Adjusted 2015 operating expenses	2,605,584
Total 2014 operating expenses under GASB 27	<u>2,308,301</u>
Increase in operating expenses not related to pension	<u>\$ 297,283</u>

Capital Assets

At June 30, 2015, the Academy had \$2,292,469 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. See Note 6 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2015, the Academy had \$1,613,855 in mortgage notes outstanding. Of this total, \$111,792 is due within one year and \$1,502,063 is due in more than one year. See Note 7 to the basic financial statements for more detail on long-term obligations.

Current Financial Related Activities

The Academy is reliant upon State Foundation monies and federal grants to provide a maritime based curriculum to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Michael Troper, Treasurer, Maritime Academy, 803 Water Street, Toledo, Ohio 43604.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 640,097
Receivables:	
Accounts	103
Intergovernmental.	62,169
Prepayments	<u>3,576</u>
Total current assets	<u>705,945</u>
Non-current assets:	
Land.	68,560
Depreciable capital assets, net	<u>2,223,909</u>
Total non-current assets.	<u>2,292,469</u>
Total assets.	<u>2,998,414</u>
Deferred outflows of resources:	
Pension - STRS.	131,595
Pension - SERS.	<u>52,778</u>
Total deferred outflows of resources	<u>184,373</u>
Liabilities:	
Current liabilities:	
Accounts payable.	26,988
Accrued wages and benefits	106,238
Pension obligation payable.	22,521
Intergovernmental payable	24,404
Unearned revenue	<u>100</u>
Total current liabilities	<u>180,251</u>
Non-current liabilities:	
Due within one year.	111,792
Net Pension liability	2,223,626
Other amounts due in more than one year.	<u>1,502,063</u>
Total non-current liabilities	<u>3,837,481</u>
Total liabilities	<u>4,017,732</u>
Deferred inflows of resources:	
Pension - STRS.	317,010
Pension - SERS.	<u>82,789</u>
Total deferred inflows of resources	<u>399,799</u>
Net position:	
Investment in capital assets.	678,614
Restricted for:	
Student activities.	7,915
Locally funded programs.	6,158
State programs.	736
Other purposes.	27,063
Unrestricted (deficit)	<u>(1,955,230)</u>
Total net position (deficit).	<u>\$ (1,234,744)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

Operating revenues:	
Foundation revenue	\$ 1,734,017
Special education payments	468,489
Extracurricular.	11,964
Classroom fees.	15,143
Food service.	6,306
Other	7,408
Total operating revenues	<u>2,243,327</u>
Operating expenses:	
Salaries and wages.	1,200,740
Fringe benefits.	286,589
Purchased services.	528,070
Materials and supplies	265,320
Other.	159,726
Depreciation	97,837
Total operating expenses.	<u>2,538,282</u>
Operating loss.	<u>(294,955)</u>
Non-operating revenues (expenses):	
Grants and subsidies.	660,106
Interest and fiscal charges	(89,300)
Insurance Proceeds.	140,000
Total nonoperating revenues (expenses)	<u>710,806</u>
Change in net position	415,851
Net position (deficit) at beginning of year (restated).	<u>(1,650,595)</u>
Net position (deficit) at end of year	<u><u>\$ (1,234,744)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from state foundation	\$ 1,720,392
Cash received from special education payments . . .	468,489
Cash received from classroom fees.	15,243
Cash received from extracurricular activities	11,919
Cash received from food services.	6,258
Cash received from other operations	7,408
Cash payments for salaries and wages.	(1,193,017)
Cash payments for fringe benefits	(348,414)
Cash payments for contractual services	(538,484)
Cash payments for materials and supplies	(264,677)
Cash payments for other expenses	(157,729)
	<hr/>
Net cash used in operating activities.	(272,612)
Cash flows from noncapital financing activities:	
Cash received from insurance proceeds.	140,000
Cash received from grants and subsidies.	634,472
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Net cash provided by noncapital financing activities.	774,472
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(89,300)
Principal retirement on notes payable	(256,640)
Acquisition of capital assets	(24,698)
	<hr/>
Net cash used in capital and related financing activities.	(370,638)
Net increase in cash and cash equivalents.	131,222
Cash and cash equivalents at beginning of year . . .	508,875
Cash and cash equivalents at end of year	\$ 640,097
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (294,955)
Adjustments:	
Depreciation	97,837
Changes in assets and liabilities:	
Decrease in accounts receivable	43,192
Increase in intergovernmental receivable.	(10,927)
Increase in prepayments	(1,576)
Decrease in accounts payable.	(64,532)
Increase in accrued wages and benefits.	15,179
Increase in intergovernmental payable.	13,552
Increase in unearned revenue.	100
Decrease in pension obligation payable	(3,180)
Increase in deferred outflows - pension.	(50,210)
Increase in deferred inflows - pension.	399,799
Decrease in net pension liability	(416,891)
	<hr/>
Net cash used in operating activities.	\$ (272,612)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

Martime Academy of Toledo (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy’s mission is to “build better citizens for America.” To accomplish this mission, the Academy commits to one-hundred percent student passage of the Ohio Graduation Test and to achieving a one-hundred percent diploma and graduation rate, by providing students a rigorous, high quality middle/junior/high school education (grades 5 through 12) that incorporates Navy Sea Cadet formation and a U.S. Coast Guard Junior Reserved Officers Training Corp. The Academy offers students a challenging Ohio standards-based education that promotes teamwork and moral leadership through maritime/nautical focused themes that are interwoven throughout and integrated across the curriculum. The Academy, which is part of the State’s education program, is independent of any school district and is non-sectarian 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 operation of the Academy.

The Academy was approved for operation under a Sponsorship Agreement with the Educational Service Center of Central Ohio (previously known as Franklin County Educational Service Center) (the “Sponsor”) through June 30, 2010. On May 21, 2010, the Academy renewed the Sponsorship Agreement with the Educational Service Center of Central Ohio for a three year period July 1, 2010 through June 30, 2013. On April 19, 2013, the Academy again renewed the Sponsorship Agreement for another three year period from July 1, 2013 through June 30, 2016. 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. See Note 14 for more information on the Academy’s agreement with its Sponsor.

The Academy operates under the direction of a Governing Board (the “Board”). The 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 15 non-certified and 28 certified teaching personnel who provide services to 235 students.

The basic financial statements (BFS) 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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of the Academy's 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. The Academy uses enterprise accounting to track and report its financial activities. 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 plus deferred outflows and all liabilities plus deferred inflows are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows 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.

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 nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations are 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.

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 following two items related the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy's contributions to the pension systems subsequent to the measurement date.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

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

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.

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 does prescribe an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis. Chapter 3314.03(A)(11)(d) of the Ohio Revised Code also requires the Academy to prepare a five-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

F. Cash and Cash Equivalents

Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2015, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

G. Intergovernmental Revenues

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

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled \$1,734,017 and those associated with Special Education grants from the State of Ohio totaled \$468,489 during fiscal year 2015.

H. Prepaid Items

Payments made to vendors for services 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 year in which services are consumed.

I. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,500. The Academy does not possess any infrastructure. Improvements are capitalized; however, 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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	6 - 15 years

J. Accrued Liabilities Payable

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 - salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2015 contract.

Intergovernmental payable - payment for the employer's share of the retirement contribution, Medicare Unemployment Workers' Compensation, and amounts due to the Ohio Department of Education associated with services rendered during fiscal year 2015 that were paid in the subsequent year and unemployment compensation.

K. Compensated Absences

Full-time administrative employees earn two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Unused vacation leave will not be paid to any employees upon separation of employment.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment.

L. Pensions

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

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy’s primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

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.

P. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2015, the carrying amount of the Academy’s deposits was \$640,097. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$510,537 of the Academy’s bank balance of \$760,537 was exposed to custodial risk while \$250,000 was covered by the FDIC.

B. Investments

The Academy had no investments at June 30, 2015.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 4 - ACCOUNTABILITY

Change in Accounting Principles/Restatement of Net Position

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.

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 9, and added required supplementary information which is presented after the notes to the financial statements.

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.

A net position restatement is required in order to implement GASB Statement No. 68 and 71. The net position at July 1, 2014 has been restated as follows:

Net position as previously reported	\$ 855,759
Deferred outflows - payments subsequent to measurement date	134,163
Net pension liability	<u>(2,640,517)</u>
Restated net position at July 1, 2014	<u>\$ (1,650,595)</u>

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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable related to food service operations and charges for services. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables:	<u>Amount</u>
High schools that work	\$ 1,000
Race to the top	100
Title I	14,653
Title II-A	41
21st century grant	27,054
Federal breakfast	8,394
Ohio Bureau of Worker's Compensation	68
Ohio Department of Education	<u>10,859</u>
Total	<u>\$ 62,169</u>

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**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 6 - CAPITAL ASSETS

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

	Balance			Balance
	<u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 68,560	\$ -	\$ -	\$ 68,560
Total capital assets, not being depreciated	<u>68,560</u>	<u>-</u>	<u>-</u>	<u>68,560</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	86,967	-	-	86,967
Buildings and improvements	2,167,356	2,748	-	2,170,104
Furniture, fixtures and equipment	328,312	1,950	-	330,262
Vehicles	<u>25,000</u>	<u>20,000</u>	<u>-</u>	<u>45,000</u>
Total capital assets, being depreciated	<u>2,607,635</u>	<u>24,698</u>	<u>-</u>	<u>2,632,333</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(15,994)	(4,743)	-	(20,737)
Building	(189,538)	(54,296)	-	(243,834)
Furniture, fixtures and equipment	(99,221)	(36,465)	-	(135,686)
Vehicles	<u>(5,834)</u>	<u>(2,333)</u>	<u>-</u>	<u>(8,167)</u>
Total accumulated depreciation	<u>(310,587)</u>	<u>(97,837)</u>	<u>-</u>	<u>(408,424)</u>
Capital assets, net	<u>\$ 2,365,608</u>	<u>\$ (73,139)</u>	<u>\$ -</u>	<u>\$ 2,292,469</u>

NOTE 7 - LONG-TERM OBLIGATIONS

A. The long-term obligations at June 30, 2015 have been restated as described in Note 4. The changes in the Academy's long-term obligations during the year consist of the following:

	Restated			Balance	Amounts
	<u>6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/15</u>	<u>Due in</u>
					<u>One Year</u>
Notes payable - Genoa Bank	\$ 1,720,495	\$ -	\$ (106,640)	\$ 1,613,855	\$ 111,792
Notes payable - AMO	150,000	-	(150,000)	-	-
Net pension liability	<u>2,640,517</u>	<u>-</u>	<u>(416,891)</u>	<u>2,223,626</u>	<u>-</u>
Total long-term liabilities	<u>\$ 4,511,012</u>	<u>\$ -</u>	<u>\$ (673,531)</u>	<u>\$ 3,837,481</u>	<u>\$ 111,792</u>

See Note 9 for detail on net pension liability.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

- B.** On June 30, 2011, the Academy borrowed a \$2,000,000 mortgage note payable from Genoa Bank to acquire a building, land and other capital assets. This note is for 15 years. The interest rate is 5 percent for the first five years and then is adjusted every 60th month at 3.5 percent above the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. Principal and interest payments are made by the Academy monthly. Subsequent to year end, this note was refinanced with another bank. The new mortgage note is for 10 years with an interest rate of 4.95 percent. Additionally, the Academy borrowed a \$250,000 seller backed mortgage note from the American Maritime Officers Building Corporation of Ohio. This note is for 15 years. The principal, but not interest, is deferred for the first 60 months. The interest rate is 5 percent for the first five years and then is adjusted every 60th month at 3.5 percent above the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years. Payments are made by the Academy monthly. The Academy retired the AMO note during fiscal year 2015. The \$2,000,000 mortgage note payable with Genoa Bank is collateralized by the building and guaranteed by the Maritime Foundation and the American Maritime Officers Building Corporation of Ohio.

The following is a summary of the future annual debt service requirements to maturity for the mortgage note with Genoa Bank:

Fiscal Year Ending June 30,	Genoa Bank		
	Principal	Interest	Total
2016	\$ 111,792	\$ 78,035	\$ 189,827
2017	117,505	72,322	189,827
2018	123,510	66,316	189,826
2019	129,822	60,004	189,826
2020	136,457	53,370	189,827
2021 - 2025	794,297	154,837	949,134
2026 - 2027	<u>200,472</u>	<u>5,869</u>	<u>206,341</u>
Total	<u>\$ 1,613,855</u>	<u>\$ 490,753</u>	<u>\$ 2,104,608</u>

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT

A. Insurance Coverage

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. For the fiscal year ended June 30, 2015, the Academy contracted with the Citizens Insurance Company of America and Selective Insurance Company of America for insurance coverage as follows:

Blanket Building & BPP	\$ 10,100,000
Commercial General Liability per occurrence	1,000,000
Commercial General Liability aggregate	2,000,000
Commercial General Liability Personal and Advertising Injury	1,000,000
Products/Completed Operations aggregate	2,000,000
Excess/Umbrella per occurrence and aggregate	5,000,000
Sexual/Physical Abuse or Molestation per occurrence and aggregate	1,000,000
Employee Benefits Liability per occurrence and aggregate	1,000,000
Stop Gap Liability per occurrence and aggregate	1,000,000
Fire Damage Limit	500,000
Medical Expenses (any one person)	15,000

Settlements have not exceeded insurance coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2014.

B. Workers' Compensation

The Academy pays the State Workers' 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.

C. Employee Medical, Dental and Vision Benefits

The Academy has contracted through an independent agent to provide employee medical, dental and vision insurance to its full time employees who work 25 or more hours per week. The Academy pays the monthly premiums for all selected coverage (medical, dental and vision insurance).

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 \$48,437 for fiscal year 2015. Of this amount \$9,819 is reported as pension obligation payable/intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

**MARITIME ACADEMY OF TOLEDO
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 to 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.

Contributions – 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 \$115,099 for fiscal year 2015. Of this amount \$7,045 is reported as pension obligation payable/intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 510,092	\$ 1,713,534	\$ 2,223,626
Proportion of the Net Pension Liability	0.010079%	0.0070448%	
Pension Expense	\$ 29,766	\$ 66,468	\$ 96,234

**MARITIME ACADEMY OF TOLEDO
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 4,341	\$ 16,496	\$ 20,837
Academy contributions subsequent to the measurement date	<u>48,437</u>	<u>115,099</u>	<u>163,536</u>
Total Deferred Outflows of Resources	<u>\$ 52,778</u>	<u>\$ 131,595</u>	<u>\$ 184,373</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 82,789</u>	<u>\$ 317,010</u>	<u>\$ 399,799</u>
Total Deferred Inflows of Resources	<u>\$ 82,789</u>	<u>\$ 317,010</u>	<u>\$ 399,799</u>

\$163,536 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (19,612)	\$ (75,129)	\$ (94,741)
2017	(19,612)	(75,129)	(94,741)
2018	(19,612)	(75,129)	(94,741)
2019	<u>(19,612)</u>	<u>(75,127)</u>	<u>(94,739)</u>
Total	<u>\$ (78,448)</u>	<u>\$ (300,514)</u>	<u>\$ (378,962)</u>

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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$ 727,750	\$ 510,092	\$ 327,023

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$ 2,453,111	\$ 1,713,534	\$ 1,088,101

NOTE 10 - 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 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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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 \$5,657.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$7,093, \$4,610, and \$3,953, respectively. For fiscal year 2015, 96.38 percent has been contributed, with the balance being reported as pension obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$7,958, and \$6,548 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Full-time administrative staff earn from two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Unused vacation is not paid out to employees upon separation of employment. No liability is recorded at June 30, 2015.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment. No liability for sick leave is recorded at June 30, 2015.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment. No liability for unused personal leave is recorded at June 30, 2015.

NOTE 12 - OPERATING LEASES

A. Toledo-Lucas County Port Authority

On April 28, 2014, the Academy entered into a lease for office space at One Maritime Plaza, Toledo, Ohio from the Toledo-Lucas County Port Authority. The term of the lease is 60 months and commenced on May 1, 2014. Total rent expense for the fiscal year ended June 30, 2015 was \$80,652.

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

Fiscal Year <u>Ended June 30,</u>	Building <u>Rent</u>
2016	\$ 93,731
2017	105,502
2018	109,862
2019	91,551
Total	<u>\$ 400,646</u>

B. VStep Simulator

On September 20, 2013, the Academy entered into a lease for service, software and on-site service from the company VStep for the ongoing use of Nautis MFMBS Maritime Simulators. The term of the lease is ten years and commenced on September 20, 2012. Total expenses for this lease for the fiscal year ended June 30, 2015 was \$12,000.

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

Fiscal Year <u>Ended June 30,</u>	Lease <u>Payments</u>
2016	\$ 12,000
2017	20,448
2018	28,896
2019	28,896
2020	28,896
2021 - 2024	101,136
Total	<u>\$ 220,272</u>

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 13 - PURCHASED SERVICES

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

Professional and technical services	\$ 194,606
Property services	123,646
Travel mileage/meeting expense	24,030
Communications	74,184
Utilities	102,174
Tuition	4,522
Pupil transportation	2,245
Other	<u>2,663</u>
Total Purchased Services	<u>\$ 528,070</u>

NOTE 14 - SPONSOR CONTRACT

The Academy entered into a five-year contract commencing on January 10, 2005 and continuing through June 30, 2010 with the Sponsor for its establishment. The Academy renewed the sponsorship agreement for a three year period, July 1, 2010 through June 30, 2013 and again for the period July 1, 2013 through June 30, 2016. Under the contract, the following terms were agreed upon:

- The Academy shall comply with the policies and provisions described in the “Educational Program”, which contains the Academy’s mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, and the focus of the curriculum.
- The Academy shall comply with a “Financial Plan”, which details an estimated school budget for each year of the period of the contract, and shall specify the total estimated per pupil expenditure amount for each such year.
- The Academy shall comply with the procedures by which the members of the Academy will be selected in the future as set forth in the “Governance and Administrative Plan”.
- The Academy shall agree to assess student achievement of academic goals using the methods of measurement identified in the “Assessment and Accountability Plan”.
- The Sponsor shall evaluate the performance of the Academy and agrees to comply with the standards by which the success of the Academy will be evaluated.

The Academy paid \$60,488 in sponsorship fees to the Sponsor during fiscal year 2015.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

NOTE 15 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2015, if applicable, cannot be determined at this time.

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. State Foundation Funding

Community School Foundation is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the community school, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the community school; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the community school.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
Academy's proportion of the net pension liability	0.01007900%	0.01007900%
Academy's proportionate share of the net pension liability	\$ 510,092	\$ 599,366
Academy's covered-employee payroll	\$ 292,872	\$ 239,588
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	250.17%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
Academy's proportion of the net pension liability	0.00704478%	0.00704478%
Academy's proportionate share of the net pension liability	\$ 1,713,534	\$ 2,041,151
Academy's covered-employee payroll	\$ 719,777	\$ 654,777
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	311.73%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 48,437	\$ 40,592	\$ 33,159
Contributions in relation to the contractually required contribution	<u>(48,437)</u>	<u>(40,592)</u>	<u>(33,159)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 367,504	\$ 292,872	\$ 239,588
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%

Note: The Academy's first year of operation was 2007; therefore information prior to 2007 is not applicable

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 38,117	\$ 38,153	\$ 28,663	\$ 11,418	\$ 5,948	\$ 1,669
<u>(38,117)</u>	<u>(38,153)</u>	<u>(28,663)</u>	<u>(11,418)</u>	<u>(5,948)</u>	<u>(1,669)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 283,398	\$ 303,524	\$ 211,691	\$ 116,037	\$ 60,570	\$ 15,627
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 115,099	\$ 93,571	\$ 85,121
Contributions in relation to the contractually required contribution	<u>(115,099)</u>	<u>(93,571)</u>	<u>(85,121)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 822,136	\$ 719,777	\$ 654,777
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%

Note: The Academy's first year of operation was 2007; therefore information prior to 2007 is not applicable

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 79,883	\$ 90,682	\$ 80,893	\$ 43,658	\$ 26,866	\$ 7,024
<u>(79,883)</u>	<u>(90,682)</u>	<u>(80,893)</u>	<u>(43,658)</u>	<u>(26,866)</u>	<u>(7,024)</u>
<u>\$ -</u>	<u>\$ -</u>				
\$ 614,485	\$ 697,554	\$ 622,254	\$ 335,831	\$ 206,662	\$ 54,031
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 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 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (ACCRUAL BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program Title	Federal CFDA <u>Number</u>	Grant <u>Receipts</u>	Non-Cash <u>Receipts</u>	Grant <u>Expenditures</u>	Non-Cash <u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education - Part B - IDEA	84.027	\$ 58,260	\$ -0-	\$ 58,260	\$ -0-
Title I	84.010	205,796	-0-	205,796	-0-
Title II-A - Improving Teacher Quality	84.367	2,581	-0-	2,581	-0-
Twenty-First Century Community Learning Centers	84.287	200,000	-0-	200,000	-0-
Race to the Top	84.395	<u>8,932</u>	<u>-0-</u>	<u>8,932</u>	<u>-0-</u>
TOTAL DEPARTMENT OF EDUCATION		475,569	-0-	475,569	-0-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
National School Lunch Program	10.555	88,494	-0-	88,494	-0-
National School Breakfast Program	10.553	<u>53,550</u>	<u>-0-</u>	<u>53,550</u>	<u>-0-</u>
		142,044	-0-	142,044	-0-
TOTAL DEPARTMENT OF AGRICULTURE		<u>142,044</u>	<u>-0-</u>	<u>142,044</u>	<u>-0-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 617,613</u>	<u>\$ -0-</u>	<u>\$ 617,613</u>	<u>\$ -0-</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Maritime Academy of Toledo, Lucas County ("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 December 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Maritime Academy of Toledo
Lucas County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 18, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

Report on Compliance for Each Major Federal Program

We have audited Maritime Academy of Toledo, Lucas County's ("Academy"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2015. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of the Academy's compliance.

Board of Directors
Maritime Academy of Toledo
Lucas County

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Maritime Academy of Toledo
Lucas County

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Robert O'Brien". The signature is written in a cursive style with a prominent initial "R".

December 18, 2015

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:		<u>Unmodified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditor’s report issued on compliance for major programs:		<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.010	Title I
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
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Auditee qualified as low risk auditee?	___X___Yes	_____No
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NONE



Dave Yost • Auditor of State

MARITIME ACADEMY OF TOLEDO

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**