



Dave Yost • Auditor of State

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Premier Academy of Ohio
Franklin County
2323 Lake Club Drive
Columbus, Ohio, 43232

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Premier Academy of Ohio, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Basis for Qualified Opinion

As a result of recurring losses from operations, the Academy was selective in the obligations it chose to pay and the amount to be paid. The Academy is lacking supporting documentation on its expenditures and is unable to determine the amount of liabilities owed to its vendors at fiscal year-end. The absence of this information prohibits us from opining on the Academy's expenditures, liabilities, ending net position, and cash flows at June 30, 2014.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Premier Academy of Ohio, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2014, 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 discussed in Note 17 to the financial statements, the Academy has suffered recurring losses from operations and has a net position deficiency. Note 17 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2016, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

June 9, 2016

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Premier Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The management's discussion and analysis of Premier Academy of Ohio's (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position was a deficit of \$510,461 at June 30, 2014.
- The Academy had operating revenues of \$768,317, operating expenses of \$1,117,735, non-operating revenues of \$311,402, and non-operating expenses of \$36,241 for fiscal year 2014. The operating loss was \$349,418. The decrease in net position was \$74,257.

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 Statement of Cash Flows

These statements look at all financial transactions and ask the question, how did we do financially during 2014? 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 takes 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 net position. This change in net position is important because it tells the reader whether, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

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

The table below shows the net position as of June 30, 2014 and 2013.

	Net Position	
	2014	2013
Assets		
Current Assets	\$19,355	\$14,817
Capital Assets, Net	8,137	62,375
Total Assets	27,492	77,192

Premier Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Net Position (Continued)		
	2014	2013
Liabilities		
Current Liabilities	\$527,636	\$480,825
Long-Term Liabilities	10,317	32,571
Total Liabilities	537,953	513,396
Net Position		
Net Investment in Capital Assets	8,137	7,550
Restricted	42,790	41,867
Unrestricted (Deficit)	(561,388)	(485,621)
Total Net Position	(\$510,461)	(\$436,204)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position was a deficit of \$510,461. Due to the Academy's deficit cash balance, current liabilities increased by \$46,811 or 9.7% to account for goods and services received but not yet paid.

At June 30, 2014, capital assets represented 30% of total assets. The net investment in capital assets at June 30, 2014 was \$8,137. These capital assets are used to provide services to the students and are not available for future spending. Capital assets decreased in fiscal year 2014 by \$54,238 or 87% due to depreciation expense and disposal of leased assets. 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.

The table below shows the changes in net position for fiscal years 2014 and 2013.

Premier Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Changes in Net Position

	2014	2013
Operating Revenue:		
State Foundation	\$ 766,562	\$ 812,809
Other Operating revenues	1,755	287
Total Operating Revenues	768,317	813,096
Non-Operating Revenues:		
Federal and State Grants	254,572	367,632
Other Non Operating Revenues	56,830	-
Total Non Operating Revenues	311,402	367,632
Total Revenues	1,079,719	1,180,728
Operating Expenditures:		
Salaries and Wages	546,365	555,400
Fringe Benefits	421,753	191,904
Purchased Services	62,168	389,211
Materials and Supplies	26,692	195,390
Depreciation	19,871	26,178
Other	40,886	40,835
Total Operating Expenses	1,117,735	1,398,918
Non-Operating Expenses:		
Interest Expense	1,874	7,161
Loss on Disposal of Capital Assets	34,367	-
Total Non-Operating Expenditures	36,241	7,161
Total Expenditures	1,153,976	1,406,079
Change in Net Position	(74,257)	(225,351)
Net Position (Deficit) at Beginning of Year	(436,204)	(210,853)
Net Position (Deficit) at End of Year	(510,461)	(436,204)

Premier Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The revenue generated by a community school is almost entirely dependent on the per-pupil allotment given by the State foundation and from federal entitlement programs. During fiscal year 2014, there was a decrease in student enrollment from fiscal year 2013 which led to a decrease in State foundation revenue and operating expenses. However, the Academy also received less Federal grant monies through the various grants which resulted in a decrease in Federal and State grant revenue during fiscal year 2014.

Capital Assets

At June 30, 2014, the Academy had \$8,137 invested in furniture and equipment. See note 4 to the basic financial statements for more detail on capital assets.

Debt Administration

The Academy has entered into debt obligations for capital leases for copier equipment, a line of credit with Huntington Bank and promissory note agreements. At June 30, 2014, the Academy had \$54,825 in capital leases outstanding and \$50,000 in a line of credit outstanding. Of this total \$44,508 is due within one year and \$10,317 is due in greater than one year. The Academy defaulted on its capital lease agreement during 2014 and its leased assets were returned. The promissory notes were forgiven during fiscal year 2014 by the lender. See notes 5, 6, and 7 to the basic financial statements for more detail on debt obligations.

Current Financial Related Activities

The Academy is sponsored by the Educational Resource Consultants of Ohio. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students. The Academy relies primarily on State foundation revenues, which are based on student enrollment. There was a decrease of approximately 20 graduating students from fiscal year 2013 to 2014. The Academy is attempting to increase its future State foundation revenues by marketing their Academy and increasing enrollment to 160 students. The Academy also began offering career technical education to its students in an effort to offer more opportunities and thereby increasing enrollment.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Adams, Treasurer, Premier Academy of Ohio, 65 E Wilson Bridge Road Suite 200, Worthington, Ohio 43085.

Premier Academy of Ohio
Statement of Net Position
June 30, 2014

Assets	
Current Assets:	
Intergovernmental Receivable	\$19,355
Total Current Assets	<u>19,355</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	<u>8,137</u>
Total Assets	27,492
Liabilities	
Current Liabilities:	
Overdraft Liability	64,468
Accounts Payable	72,642
Accrued Wages and Benefits	43,982
Intergovernmental Payable	252,036
Line of Credit Payable	50,000
Capital Leases Payable	44,508
Total Current Liabilities	<u>527,636</u>
Noncurrent Liabilities:	
Capital Leases Payable	<u>10,317</u>
Total Liabilities	537,953
Net Position	
Net Investment in Capital Assets	8,137
Restricted for Other Purposes	
Locally Funded Programs	200
Federal Programs	42,590
Unrestricted (Deficit)	<u>(561,388)</u>
Total Net Position	<u><u>(\$510,461)</u></u>

See the accompanying notes to the basic financial statements.

Premier Academy of Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues:	
State Foundation	\$766,562
Other	1,755
Total Operating Revenues	768,317
Operating Expenses:	
Salaries and Wages	546,365
Fringe Benefits	421,753
Purchased Services	62,168
Materials and Supplies	26,692
Depreciation	19,871
Other	40,886
Total Operating Expenses	1,117,735
Operating Loss	(349,418)
Non-Operating Revenues (Expenses):	
Federal and State Grants	254,572
Other Non-Operating Revenues	56,830
Interest Expense	(1,874)
Loss on Disposal of Capital Assets	(34,367)
Total Non-Operating Revenues (Expenses)	275,161
Change in Net Position	(74,257)
Net Position (Deficit) at Beginning of Year	(436,204)
Net Position (Deficit) at End of Year	(\$510,461)

See the accompanying notes to the basic financial statements.

Premier Academy of Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$745,028
Cash Received from Other Operations	1,755
Cash Payments for Salaries and Benefits	(743,376)
Cash Payments for Suppliers for Goods and Services	(219,798)
Cash Payments for Materials and Supplies	(62,168)
Cash Payments for Other Expenses	(40,886)
Net Cash Used for Operating Activities	(319,445)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants	250,624
Interest Payments on Line of Credit	(1,874)
Net Cash Provided by Noncapital Financing Activities	248,750
Net Decrease in Cash and Cash Equivalents	(70,695)
Cash at Beginning of Year	6,227
Cash (Deficit) at End of Year	(\$64,468)
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$349,418)
Adjustments:	
Depreciation	19,871
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivables	(6,817)
Decrease in Accounts Payable	(193,106)
Decrease in Accrued Wages and Benefits	(2,987)
Increase in Intergovernmental Payable	213,012
Net Cash Used for Operating Activities	(\$319,445)

Non-Cash Transactions

The Academy voluntarily returned a copier valued at \$105,904 prior to the maturity date of the capital lease due to limited cash flows.

See the accompanying notes to the basic financial statements.

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Premier Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the Academy

Premier Academy of Ohio (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy specializes in providing a custom-made curriculum for each student to ensure academic success. The Academy utilizes sophisticated technology and small classroom sizes to guarantee individual attention to expose students in grades 7 through 12 to real world experience. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

During fiscal year 2014, the Academy was under a sponsorship contract with Educational Resource Consultants of Ohio, Inc. (the Sponsor). On June 5, 2013, the sponsorship contract was renewed for two years commencing July 1, 2013 through June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy is located in Columbus, Ohio, Franklin County. The Academy operates under the direction of a self-appointed five-member Board of Trustees. 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 qualification of teachers who provide services to 100 students.

Note 2 – Summary of Significant Accounting Policies

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

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 a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy finances its cash flow needs.

Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, is recognized in the period in which all eligibility requirements have been satisfied.

Premier Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specific

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.

Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis. This five year forecast is submitted to ODE and the Sponsor twice a year (May and October).

Capital Assets and Depreciation

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

All capital assets are depreciated. The Academy's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Equipment is depreciated over a period of five to fifteen years.

Net Position

Net position represents the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation. 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.

Operating Revenues and Expenses

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

Estimates

The preparation of 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.

Economic Dependency

The Academy received nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

Premier Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as assets on the statement of net position, using the allocation method, which amortized their cost over the periods benefiting from the advance payment. The Academy had no prepayments at June 30, 2014.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Trustees and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

Note 3 – Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2014, the carrying amount of the Academy's deposits was a deficit balance of \$64,468 and the bank balance was \$7,155. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

Note 4 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Depreciable Capital Assets:				
Furniture and Equipment	\$153,528	\$0	(\$112,393)	\$41,135
Less: Accumulated Depreciation	(91,153)	(19,871)	78,026	(32,998)
Depreciable Capital Assets, Net	\$62,375	(\$19,871)	(\$34,367)	\$8,137

Note 5 – Capitalized Leases – Lessee Disclosure

In prior fiscal years, the Academy entered into capital lease agreements for copier equipment. These leases meet the criteria of a capital lease as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

In prior years, the copier equipment had been capitalized in the amount of \$105,904. This amount represented the present value of the future minimum lease payments at the time of acquisition. However, in 2014, the Academy returned the equipment to the vendor due to a loss of enrollment that yielded in a loss of funding that resulted in the Academy's inability to meet the lease obligation. Although the equipment was returned and the asset was removed from the Academy's records, as of June 30, 2014, the liability for the lease remained on the books until the vendor subsequently released the Academy from the obligation through a court settlement. Accumulated depreciation through the date of disposal was \$74,132 which resulted in a loss on disposal of capital assets of \$31,772.

There were no principal or interest payments made in fiscal year 2014.

Of the remaining capital lease obligation of \$54,825, \$44,508 in capital lease principal payments is due in one year, which includes \$22,254 in delinquent amounts due.

Premier Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 – Line of Credit

During fiscal year 2011, the Academy borrowed \$45,000 through a line of credit from Huntington Bank. During fiscal year 2012 the Academy borrowed an additional \$12,864 and repaid \$7,864 at an interest rate of 3.500%. Receivables and inventory are pledged to pay any outstanding balances. The following activity occurred on the line of credit during the fiscal year 2014:

	Balance 6/30/13	Additions	Payments	Balance 6/30/14
Line of Credit	\$50,000	\$0	\$0	\$50,000

During fiscal year 2014, the Academy incurred \$1,874 in interest charges related to the line of credit.

Note 7 – Notes Payable

During fiscal year 2009, the Academy entered into a promissory note payable with Eastman & Smith, Ltd. to pay for legal services incurred prior to June 30, 2009. During fiscal year 2014, Eastman & Smith, Ltd. agreed to forgive the remaining balance of \$56,830. An other non-operating revenue was recognized for this principal forgiveness.

Note 8 – Operating Lease

The Academy’s school facilities are located in a space leased at 1555 Elaine Road, Columbus, Ohio. The lease agreement is with St. Phillip Church for the period of August 1, 2013 through June 30, 2014. The base rental of the lease is \$6,554 per month. Payments totaling \$68,986 were made during fiscal year 2014. In August 2014, the Academy moved its operations. See note 18 for additional information.

Note 9 – Receivables

At June 30, 2014, receivables consisted of intergovernmental receivables of \$19,355 in State Foundation and federal grants and reimbursements. The receivables are expected to be collected in full within one year.

Note 10 – Pension Plans

School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at www.ohsers.org, under *Employers/Audit Resources*.

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, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy’s contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$27,188, \$26,802, and \$41,567, respectively, which equaled the required contributions each year. 98% has been contributed for fiscal year 2014 and 80% has been contributed for the prior fiscal year.

Note 10 – Pension Plans (Continued)

State Teachers Retirement System of Ohio

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Note 10 – Pension Plans (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2014, 2013 and 2012, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Academy's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$55,726, \$48,576, and \$63,686, respectively; 79 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

SocialSecuritySystem

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, no members of the Board of Trustees have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

Note 11 – Postemployment Benefits

SchoolEmployeesRetirementSystem

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Note 11 – Postemployment Benefits (Continued)

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013 and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the Academy, contributions for the years ended June 30, 2014, 2013 and 2012, were \$1,577, \$1,514, and \$2,445, respectively, which equaled the required allocation for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2014, 2013 and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Academy, contributions assigned to health care for the years ending June 30, 2014, 2013, and 2012 were \$600, \$5,194, and \$9,258, respectively, which equaled the required allocation for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan that is a hybrid of the Defined Benefit Plan and Defined Contribution Plan.

Note 11 – Postemployment Benefits (Continued)

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts equaled \$4,287, \$3,737, and \$4,899, for fiscal years

2014, 2013 and 2012, respectively; 80.89 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012.

Note 12 – Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2014, the Academy contracted with Indiana Insurance for the following coverage:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Errors and Omissions	1,000,000
Property (All Locations)	260,000
Computer Coverage:	
Equipment	105,000
Software	50,000
Extra Expense	25,000

There have been no significant decreases in coverage from the previous year. Settled claims did not exceed this commercial coverage for the past 3 fiscal years.

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 determined by the State. At June 30, 2014, the Academy owed \$1,144 for this premium, which has been reported as an intergovernmental payable on the accompanying financial statements.

Premier Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 – Employee Benefits

The Academy provides health, drug, dental and vision insurance for all eligible employees through United HealthCare and VSP. The Academy pays 80% of the monthly premium and employees pay the remaining 20% for health and vision coverage. The Academy pays 50% of the monthly premium and employees pay the remaining 50% for dental coverage. The Academy provides life insurance and accidental death and dismemberment insurance to employees through MetLife.

Note 14 – Purchased Services

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and Technical Services	\$42,063
Property Services	1,531
Travel Mileage/Meeting Expense	10,896
Communications	5,828
Other Services	1,850
Total	<u>\$62,168</u>

Note 15 – Sponsor Contract

The Academy entered into a two-year contract commencing on July 1, 2013 and continuing through June 30, 2015 with the Sponsor. 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 \$23,638 in sponsorship fees to the Sponsor during fiscal year 2014.

Note 16 – Contingencies

Grants

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

Premier Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 – Contingencies (Continued)

Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education underpaid the Academy by \$6,817. This amount is reflected as an intergovernmental receivable in the basic financial statements.

Litigation

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

Note 17 – Management’s Plan

For fiscal year 2014, the Academy had an operating loss of \$349,418, a decrease in net position of \$74,257, and a cumulative net position deficit of \$510,461. In addition, the Academy had a deficit cash balance at June 30, 2014 of \$64,468. The deficit net position and cash balance resulted from expenses exceeding revenues for the past six consecutive years, due to a lack of growth in student enrollment. In an effort to improve financial stability, the Academy changed its name and moved to a more accessible location for fiscal year 2015. The Academy has continued expectations to increase enrollment in fiscal year 2015 and continues to reduce expenses. If the Academy is unable to increase enrollment, the Academy may be forced to close its doors due to lack of financial resources. In an effort to prevent closure, the Academy is seeking additional funding from Charter School Capital to pay creditors and reduce its outstanding liabilities.

The Academy’s Business Manager and Treasurer monitor financial activities on a daily basis. Financial reports are submitted to the Board for approval at each Board meeting to determine the effectiveness of the expectations discussed above. The Academy has passed a balanced budget for fiscal year 2015.

Note 18 – Subsequent Events

On March 19, 2014, the Board approved to change the Academy’s name from Premier Academy of Ohio to Gateway Academy of Ohio. The name change took effect on July 1, 2014.

On August 27, 2014, the Academy approved the 2014-16 Eastland Center LLC building lease for 4300 Kimberly Parkway, 3rd Floor, Columbus, at an annual cost of \$341,000.

In fiscal year 2014, the Academy defaulted on its copier lease with Gordon Flesch Company Inc. The vendor picked up its equipment in April 2014, but the liability remained with the Academy until it was dismissed in March 2015.

In August 2014, the Academy entered into a lease for copier equipment with Buckeye Office Solutions.

In December 2014, the Academy retained Educational Empowerment Group as its Management Company.

In July 2015, the Academy amended and updated its contract with Educational Empowerment Group, extending the contract for one year. As part of the agreement all employees of the Academy became employees of Educational Empowerment Group.

Effective June 6, 2016, the Academy changed its name to the East Bridge Academy of Excellence.



Dave Yost • Auditor of State

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

Premier Academy of Ohio
Franklin County
2323 Lake Club Drive
Columbus, Ohio, 43232

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Premier Academy of Ohio, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated June 9, 2016, wherein we noted the Academy is experiencing certain financial difficulties. In addition, we modified our opinion on the Academy's liabilities, expenditures, ending net position and cash flows because the Academy is lacking supporting documentation on its expenditures and is unable to determine the amount of liabilities owed to its vendors at fiscal year-end.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider findings 2014-003, 2014-004 through 2014-006, 2014-008, 2014-009, and 2014-011 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001, 2014-002, 2014-005 through 2014-007, 2014-010, and 2014-011.

Academy's Responses to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

June 9, 2016

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

FINDING 2014-001

Federal Income Tax Withholdings- Noncompliance

The law requires that employers withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. **See 26 U.S.C. 3102(a) and 3402(a)**. Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. *See United States v. Farr*, 536F.3d 1174, 1176 (10th Circ. 2008).

As required by law, the Academy withheld employees' share of federal income tax from payroll earnings. Yet, as confirmed by the Internal Revenue Service (IRS), employee withholdings were not properly remitted by the Academy to the federal government for calendar year 2014 earnings. As a result, the Academy owes the IRS \$26,586 plus penalties and interest of \$10,571.

As of June 30, 2014, the Academy's book balance was negative \$64,468. As referenced in Finding 2014-003, the Academy used restricted funds for unallowable purposes. The Academy has consulted with the IRS regarding its inability to pay the outstanding liability. At this time, the IRS has identified the account as uncollectible; however the Academy is still obligated to pay the outstanding amount. Penalties and interest will continue to accrue on the outstanding balance until the time it can be paid in full.

We recommend for the Academy to remit the outstanding payment as soon as possible limiting the amount of interest and penalties accrued. We also recommend for the Academy to remit all future federal income tax withholdings, accompanied by a completed 941 form, to the IRS within thirty days of the end of the quarter.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

The Academy has engaged the services of a new treasurer, a new management company and new legal counsel, all of which have proven track records of success. Currently, the attorney and treasurer are working with the IRS and have established an agreement with the IRS.

FINDING 2014-002

Timely Submission of Withholding Payments- Noncompliance and Significant Deficiency

As to teacher and employer contributions to the State Teachers Retirement pension system required under Ohio Rev. Code Sections 3307.26 and 3307.28, **Ohio Rev. Code §3307.291** mandates that the treasurer of each school employer, on receipt from the employer of the voucher for deductions from the compensation of teachers and for the contributions of the employer, must transmit monthly or at such times as the state teachers retirement board designates the amounts specified in such voucher to the secretary of the board. In addition, under Ohio Rev. Code Section 3307.292, the state teachers retirement board has adopted rules establishing penalties to be paid by employers who fail to transmit to the state teachers retirement system the contributions required. The rules may provide for interest, at a rate determined by the board, in addition to the penalties.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-002 (Continued)

**Timely Submission of Withholding Payments- Noncompliance and Significant Deficiency
(Continued)**

Under Ohio Rev. Code § 718.03 (G) each employer required to withhold any municipal income tax from employee pay is liable for the payment of the amount required to be withheld. Further Ohio Rev. Code Section 718.27 (C) permits each municipal corporation levying a tax on income to impose on a taxpayer, employer, any agent of the employer, and any other payer the interest amounts and penalties prescribed under this law when the taxpayer, employer, any agent of the employer, or any other payer for any reason fails, in whole or in part, to make to the municipal corporation timely and full payment or remittance of income tax, estimated income tax, or withholding tax or to file timely with the municipal corporation any return required to be filed.

At June 30, 2014 the Academy was delinquent in making employee withholding payments to the State Teachers Retirement System (STRS) and City of Columbus in the amounts of \$4,451 and \$3,403 respectively. Through a confirmation with STRS, evidence proved checks were printed for STRS prior to June 30, 2014, but were not mailed to STRS until August 2014 when funds were available. Payments for amounts owed to the City of Columbus were not paid until September 2015, costing the Academy an additional \$6,338 in interest.

Failure to remit employee withholdings in a timely manner places the Academy at risk of unlawfully using employee payments to meet daily obligations. In addition, failure to remit withholdings may result in unintended late fees and interest assessed, if applicable. The act of printing checks from the financial system without timely distribution could result in the Academy overstating the expenditures and improperly reporting its financial position. We recommend the Academy remit all monies withheld from employee payroll in a timely manner to the designated authority.

Officials' Response:

The Academy has removed all employees and has transitioned them to employees of the management company. The management company reports and pays all retirement benefits in a timely manner, as evidenced by their current status.

FINDING 2014-003

Use of restricted funds- Material Weakness

The Academy uses the Uniform School Accounting System to maintain its financial records. This system is a fund based approach accounting for each revenue source, to be used for a specific purpose, separately within an assigned fund. By using this system the Academy is able to monitor all of its revenue and expenditures to help ensure restricted monies are being used for allowable purposes.

At June 30, 2014 the Academy had negative fund balances in six of its nine funds including its General fund, Food Service fund and four federal grant funds. The Academy only maintained positive fund balances of \$12,507 in its Race to the Top grant fund, \$56 in its Safe and Drug free grant fund, and \$200 in its local foundation grant fund. Cash from these funds was used to supplement monies for daily operating activities of funds already operating in the negative for purposes which may or may not have been allowed by federal grant funds. At June 30, 2014, the Academy had a book balance of (\$64,468), which is shown as an overdraft liability on the Academy's financial statements.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-003 (Continued)

Use of restricted funds- Material Weakness (Continued)

By using restricted funds for general, everyday operating activities, the Academy is at risk of mis-using its grant funds and losing the grants for future fiscal years. By expending more money than the Academy has available, the Academy is at risk of being unable to provide services in the following fiscal years.

We recommend the Academy input control procedures to help ensure expenditures made by the Academy are essential for the Academy's operation in order to improve the Academy's cash balances, and reducing the need to use restricted cash flows to pay for daily operations.

Officials' Response:

The management team works directly with the new treasurer's office so that two things occur, (1) there is an added level of checks and balances so as to ensure proper use of restricted funds and (2) to ensure that all Federal Grant dollars are coded correctly so that the Academy can pass a Federal Programs Audit.

FINDING 2014-004

Financial Monitoring- Material Weakness

Controls over financial reports are the responsibility of the Board of Directors and management of the Academy. Monthly financial reports should be reviewed and approved by someone other than the preparer for accuracy and completeness. Financial reports prepared by the Treasurer should be approved by the Principal or the Board of Directors prior to submission to the Sponsor for financial evaluation.

The Academy struggled with cash flow shortages throughout the entire fiscal year. At June 30, 2014, the Academy's net position has decreased \$74,257 from the prior fiscal year to reach (\$510,461.) As part of sponsorship monitoring procedures, the Sponsor performed bi-monthly financial analysis throughout fiscal year 2014 to assess the Academy's financial condition. The report included reviews of the Academy's cash balance, monthly expenditures, vendor payables and attendance. The report was addressed to the board and management of Premier Academy of Ohio.

The Academy maintained its daily accounting records on a cash basis. Outstanding payables were the responsibility of the Treasurer to track and maintain. At fiscal year end, the Academy was unable to provide a complete list of outstanding liabilities to its auditors. Considering this information was not available at fiscal year end, it is questionable as to if the information provided to the sponsor throughout the fiscal year was accurate and complete.

By not providing complete and accurate financial information for review, the Sponsor is not able to appropriately evaluate the financial situation of the Academy which places limitations on managements' decisions and could result in flawed actions of the Board of Directors and erroneous reporting to ODE. As a result of the missing information, we are compelled to modify our opinion on the Academy's liabilities, expenditures, ending net position and statement of cash flows.

We recommend the board of directors and members of management implement control procedures to help ensure all information provided for financial reviews are completed and accurate to allow for effective financial evaluations to be performed.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-004 (Continued)

Financial Monitoring- Material Weakness (Continued)

Officials' Response:

The new treasurer's office, in conjunction with the attorney and management team, reviews for accuracy the financial statements prior to dissemination. All parties (including the board of directors) have the ability and right to challenge or question any financial data presented. In addition, the management company works closely with the treasurer to ensure accurate payment, recording keeping and reconciliations.

FINDING 2014-005

Condition of Accounting Records- Noncompliance and Material Weakness

Ohio Rev. Code §149.351 provides, in part, that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

We noted the following instances where the underlying documentation and support of certain financial transactions were missing:

1. Itemized receipts for two transactions to JW Marriot totaling \$21.45
2. Itemized receipts for Ichaban Steakhouse totaling \$85.18
3. Invoices for \$1,059 of cell phone equipment purchases from Verizon Wireless.
4. Time cards for an employee- only 3 out of 24 were available for review.
5. A Salary contract for an employee.

Alternative procedures were performed to determine the transactions noted above did not result in a finding for recovery.

Failure to maintain adequate underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and the occurrence expenditures which are not for a proper public purpose.

We recommend for the Academy to maintain supporting documentation and obtain contracts, where appropriate, for all financial transactions to help ensure the accuracy of its financial statements and the legality of its expenditures.

Officials' Response:

The Academy has hired a treasurer and management team, both with a track record of clean audits and meticulous record keeping. This ensures copies of checks, deposit slips, receipts, invoices, check requests and contracts can be easily accessed, presented upon request and are appropriately attached to transactions.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-006

Unemployment Compensation Payments- Noncompliance and Material Weakness

Ohio Rev. Code §4141.242 states on or after January 1, 1978, the state, its instrumentalities, its political subdivisions and their instrumentalities... shall pay to the director of job and family services for deposit in the unemployment compensation fund an amount in lieu of contributions equal to the full amount of regular benefits, and the amount of extended benefits chargeable under the terms of section [4141.301](#) of the Revised Code, from that fund that is attributable to service in the employ of the public entity.

Ohio Admin. Code §4141-11-02 requires the following:

- (A) Every contributory employer subject to Chapter 4141. of the Revised Code shall pay contributions on its taxable payroll for each calendar quarter at a rate determined by the director in accordance with the requirements of Chapter 4141. of the Revised Code. Such payment is due and payable no later than the last day of the first month following the close of the calendar quarter for which such contributions are payable.
- (B) When a contributory employer becomes subject to Chapter 4141. of the Revised Code in any calendar quarter and thereby incurs liability for contributions for prior quarters in the same calendar year, payment of such contributions is due and payable on the last day of the first month following the close of the calendar quarter in which the employer became subject to Chapter 4141 of the Revised Code.
- (C) Any contribution, payment in lieu of contribution, interest, forfeiture, or fine due from an employer on or after January 1, 1993, shall, if not paid when due, bear interest at the annual rate of fourteen per cent compounded monthly on the aggregate receivable balance due. In such computation any fraction of a month shall be considered as a full month.

The Academy did not make its required payments to the Ohio Department of Job and Family Services during fiscal year 2014 and has accrued an outstanding balance of \$114,536 in principal payments and \$61,149 in interest. Interest continues to accrue monthly due to lack of payment. The Academy only recorded \$9,000 of this amount as a payable at June 30, 2014, materially understating its liabilities.

Failure to make payments as required by the Ohio Administrative Code continually costs the Academy more in interest payments, reducing funding available for the Academy's purpose of educating its students.

We recommend the Academy's management and sponsor work together to create a plan for the Academy to pay its outstanding obligations and to establish procedures to help ensure current obligations are being met to reduce the amount of interest charged to the Academy.

Officials' Response:

The Academy's management team has worked closely with the treasurer and attorney to both negotiate and establish a re-payment plan with the Ohio Department of Job and Family Services. In addition, all academy employees were transferred to the management company to ensure all current and future payments are timely.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-007

Student Withdrawals- Noncompliance

Ohio Rev. Code § 3314.08(H)(2) provides that a student's enrollment shall be considered to cease on the date on which any of the following occur: (a) The community school receives documentation from a parent terminating enrollment of the student; (b) The community school is provided documentation of a student's enrollment in another public or private school; (c) The community school ceases to offer learning opportunities to the student.

Ohio Rev. Code § 3314.03(A)(6)(b) further provides a requirement that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student.

The Ohio Department of Education (ODE) EMIS Manual, Section 2.1.1 Student Enrollment Overview provides guidance on preferred documentation to be obtained by the School and maintained in the student file for each withdrawal code reported in the SOES system.

The Academy had 35 students withdraw during fiscal year 2014. Of the five withdrawn students tested, the Academy did not have documentation from parents terminating enrollment nor support for enrollment at another school for any of these students. The Academy has policies in place regarding student enrollment but not student withdraws.

Failure to maintain appropriate enrollment information could lead to inaccurate reporting of students enrolled within the Academy. Student enrollment is the primary determination of the amount of foundation revenue provided by the State. Overstating student attendance could cause the Academy to receive revenue it was not entitled to receive.

We recommend that the Academy establish policies over student withdraw procedures and require parent all withdrawal forms, supporting documentation from other educational institutions, and/or attendance truancy documentation to be maintained for all students whom are withdrawn from the Academy.

Officials' Response:

The Academy has hired a new management company to ensure that all student data is correct, up to date and easily accessible within the students file. All withdrawal records, including attendance data, is available within student files.

FINDING 2014-008

Financial Statement Presentation- Material Weakness

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

Adjustments applied to the financial statements included:

- A reclassification of non-operating grant receipts misclassified as foundation revenues in the amount of \$41,938
- To record additional revenues & expenditures of \$1,492 from extracurricular activities posted to the Academy's ledgers as negative receipts.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-008 (Continued)

Financial Statement Presentation- Material Weakness (Continued)

We were unable to determine completeness accuracy of the amounts the Academy owed to its vendors. Therefore, we have modified our opinion over the liabilities presented on the Statement of Net Position. A modification over the Academy's liabilities also requires us to modify our opinion over the Academy's expenditures, net position and cash flows at the end of the fiscal year.

By not maintaining adequate financial records, it resulted in the audit adjustments and modifications to the opinion as noted above.

We recommend the Academy take steps to help ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted accounting principles (GAAP). By exercising caution in recording financial activity, the Academy can help reduce posting errors and increase the reliability of the financial data throughout the year and at year-end.

The Treasurer should review the audit adjustments identified above to help ensure that similar errors are not reported in subsequent years. In addition, the Academy should adopt policies and procedures over financial reporting, including a final review of the financial statements.

Officials' Response:

The Academy has hired a new treasurer, new management and a new attorney who all work together to ensure financial records are both accurate and timely. Revenue streams are coded correctly and are reconciled monthly along with all financial transactions, including expenditures.

FINDING 2014-009

Bank Reconciliation- Material Weakness

The preparations of timely and accurate book to bank reconciliations are essential control procedures for any organization to help ensure accuracy in financial reporting. Bank reconciliations should be reviewed and approved by someone other than the preparer and the review should be evidenced by the initials or signature of the reviewer.

The Treasurer attempted to prepare monthly bank reconciliations. However, at fiscal year-end, the Academy's bank account was greater than its book balance. The Academy's reconciliation for its payroll account at June 30, 2014 included \$35,354 of unidentifiable reconciling items. As noted in Findings 2014-003, 2014-004 and Finding 2014-008, the Academy struggled with cash flows shortages throughout the entire fiscal year.

Failure to accurately reconcile the ledgers to the bank statements each month can cause the Board of Directors to receive inaccurate financial information which could lead to uninformed financial decisions.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-009 (Continued)

Bank Reconciliation- Material Weakness (Continued)

We recommend a book to bank reconciliation be prepared for each bank account held by the Academy and reviewed by a knowledgeable person for accuracy. The reconciliation should include a comparison of bank information to financial records maintained in MEC to help ensure all records agree. The reviewer should evidence their examination of the records by initialing/signing and dating the reconciliation to document their approval and timeliness of the review.

Officials' Response:

The Academy's new treasurer reconciles all bank accounts monthly. This is done at the beginning of each month and the report is provided to the board of directors, the sponsor, the board's legal counsel and the management company.

FINDING 2014-010

Filing of Annual Financial Report- Noncompliance

Ohio Rev. Code §117.38 states that public offices reporting pursuant to generally accepted accounting principles must file annual reports with the Auditor of State within 150 days following the close of fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Also, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38 and requires the community school to prepare its annual financial report in accordance with generally accepted accounting principles.

The Academy did not file its annual GAAP financial report to the Auditor of State for fiscal year ending June 30, 2014, did not file for an extension and still has not completed its filing requirement.

The Academy should file their annual GAAP financial report to the Auditor of State within 150 days of fiscal year end and ensure the filing is accurate and complete. We further recommend the annual report be publicized in a local newspaper stating the financial report is available for public inspection at the office of the Treasurer.

Officials' Response:

The Academy's new treasurer has access to the Hinkle System and along with the management company will ensure that all future Annual Financial Reports are submitted by the deadline.

**PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

FINDING 2014-011

Capital Asset Inventory Procedures- Noncompliance and Material Weakness

Fixed Asset Policy/Title Asset Policy Number 148.2 concerning capital assets states, "The Academy shall conduct a physical inventory of its capital assets no less frequently than every two years. The results of the physical inventories must be reconciled with the property records. The Academy shall develop a control system to safeguard against loss, damage, or theft of capital assets. The Academy shall establish and follow procedures to ensure that it receives the overall best return possible, if it sells any capital asset. An independent valuation or market comparison may be used, among any other reasonable method of valuation."

From fiscal year 2013 to Fiscal year 2014 the Academy moved its facilities. In the move, the Academy's public announcement System was left behind and abandoned. This act was made without board approval, and the asset was not removed from the Academy's capital asset listing for fiscal year 2014. No evidence of a physical inventory count was available to determine if a count was performed before or after the move.

By not seeking compensation for the public announcement system, and not performing a physical inventory each year, the Academy violated their own capital asset policy and overstated its capital assets at fiscal yearend. An adjustment was made to the financial statements to reduce depreciable capital assets by \$2,595 for the public announcing system abandoned by the Academy during the move.

Failure to follow the Academy's capital asset policy established by the board could result material misstatements the financial statements.

We recommend the Academy to update its capital asset policy to pertain a provision regarding the proper disposal of assets and establish procedures to communicate all asset changes to the accounting firm preparing the Academy's financial statements.

Officials' Response:

The Academy's new management team and treasurer will ensure that an inventory of all capital assets occurs at least 1 time every 2 years. In addition, the board of directors will review and amend the current Capital Asset Policy to include verbiage regarding proper disposal of assets and to communicate all asset changes to the treasurer.

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PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2104

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Financial Statement Presentation- understatement of liabilities	No.	Not corrected. Re-issued as Finding 2014-008.



Dave Yost • Auditor of State

PREMIER ACADEMY OF OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 14, 2016**