



Dave Yost • Auditor of State

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Construction Academy
Franklin County
1725 Jetway Blvd
Columbus, Ohio 43219

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of Ohio Construction Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2016, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of Ohio Construction Academy, Franklin County, Ohio, as of June 30, 2016, and the change in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Academy is experiencing certain financial difficulties. Management's plans in regard to this matter are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 17, 2017

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Management's Discussion and Analysis

The discussion and analysis of Ohio Construction Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2016. 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 the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Total net cash position was \$0 at June 30, 2016.
- Total assets were \$0 in fiscal year 2016.
- The Academy had operating receipts of \$175,022 and operating disbursements of \$367,934 for fiscal year 2016.
- Total change in net cash position for fiscal year 2016 was a decrease of \$84,636, from a beginning balance of \$84,636 to a balance of \$0.

Using these Cash Basis Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position – cash basis and statement of receipts, disbursements and changes in net position – cash basis provide information about the activities of the Academy.

Reporting the Academy's Financial Activities

Statement of Net Position and the Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2016?" The statement of net position – cash basis and statement of receipts, disbursements and changes in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

The table below provides a summary of the Academy's net cash position for fiscal years 2016 and 2015.

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Net Cash Position

	<u>2016</u>	<u>2015</u>
Assets		
Equity in pooled cash and cash equivalents	\$ -	\$ 84,636
Total assets	<u>-</u>	<u>84,636</u>
Net Position		
Unrestricted	-	\$ 84,636
Total net cash position	<u>\$ -</u>	<u>\$ 84,636</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the Academy decreased \$84,636. The net position of the Academy is \$0 at June 30, 2016.

The table below shows the changes in net position for fiscal year 2016 and 2015.

Change in Net Cash Position

	<u>2016</u>	<u>2015</u>
Operating receipts		
Foundation Payments	\$ 175,022	\$ 343,110
Gifts and Donations	-	-
Total operating receipts	<u>175,022</u>	<u>343,110</u>
Operating disbursements		
Salaries	-	35,408
Fringe Benefits	-	17,703
Purchased services	367,934	193,187
Materials and Supplies	-	5,092
Capital Outlay	-	5,000
Other disbursements	-	33,110
Total operating disbursements	<u>367,934</u>	<u>289,500</u>
Non-operating receipts		
State and Federal grants	108,276	30,144
Total non-operating receipts	<u>108,276</u>	<u>30,144</u>
Change in Net Position	(84,636)	83,754
Net position at beginning of year	<u>\$ 84,636</u>	<u>\$ 882</u>
Net position at end of year	<u>\$ -</u>	<u>\$ 84,636</u>

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The increase in disbursements was primarily due to the change in management company. On July 1, 2015, the Academy entered into a management agreement with Summit Academy Management. In that agreement, Summit Academy Management agreed to pay all expenses for the Academy to operate the school, regardless of the amount of revenue received. These expenses are, in turn, billed back to the school, up to the amount of revenue received each month. Also in the agreement, Summit Academy Management agreed to use the cash balance at June 30, 2015 to pay some outstanding invoices on behalf of the Academy.

Capital Assets

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

Debt Administration

At June 30, 2015, Ohio Construction Academy had a loan payable to Associated Builders and Contractors. This loan was made to Ohio Construction Academy for operating funds in the prior year. Summit Academy Management became the management company for Ohio Construction Academy as of July 1, 2015. In the management agreement, it is stated that Summit Academy Management will continue to pay this loan according to the promissory note, on behalf of Ohio Construction Academy. This loan was paid in full by Summit Academy Management during the fiscal year.

Current Financial Related Activities

Beginning July 1, 2015, management of the school was provided by Summit Academy Management. Per the management agreement, Summit Academy Management pays all expenses, while billing back to the Academy only up to the total revenue received each month. The Academy will not be responsible for paying back any expenses that are over and above the total of the revenue received by the school.

Summit Academy Management has completed grant applications for the school to obtain additional federal grants funding during the school year, as well as completing all requirements to participate in the National School Lunch Program beginning in the 2016-2017 school year.

There has also been a push to increase the enrollment of the school since Summit Academy Management began working with Ohio Construction Academy.

Contacting the School's Financial Management

This financial report is designed to provide our clients 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 Amber Shaeffer, Treasurer at Summit Academy Management, 2791 Mogadore Road, Akron, Ohio 44312.

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**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
JUNE 30, 2016**

Assets	
Equity in Pooled Cash and Cash Equivalents	\$0
	<hr/>
<i>Total Assets</i>	<u>\$0</u>
Net Position	
Unrestricted	\$0
	<hr/>
<i>Total Net Position</i>	<u>\$0</u>

See accompanying notes to the basic financial statements

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Operating Receipts	
Foudation Payments	\$ 175,022
<i>Total Operating Receipts</i>	<u>175,022</u>
Operating Disbursements	
Salaries	-
Fringe Benefits	-
Purchased Services	367,934
Materials and Supplies	-
Capital Outlay	-
Other Expenses	-
<i>Total Operating Disbursements</i>	<u>367,934</u>
<i>Operating (Loss)</i>	<u>(192,912)</u>
Non-Operating Receipts	
State and Federal Grants	<u>108,276</u>
Total Non-Operating Receipts	<u>108,276</u>
<i>Change in Net Position</i>	(84,636)
<i>Net Position Beginning of Year</i>	<u>84,636</u>
<i>Net Position End of Year</i>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 1 – Description of the Academy

Ohio Construction Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in ninth through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation for the Academy.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Academy consists of all funds, departments, boards, and agencies that are not legally separate from the Academy. For Ohio Construction Academy, this includes general operations, food service, and student related activities of the Academy.

The Academy was authorized by Warren County Educational Service Center for two school years, from July 1, 2013, until June 30, 2015. Warren County ESC did not renew its contract with the school due to the school's underperformance in terms of student enrollment that caused severe financial challenges.

Ohio Construction Academy operated as a Drop Out Recovery School under the management of Associated Builders and Contractors (ABC) of Central Ohio. The mission of the Academy is to provide high school students an innovative educational opportunity that explores construction related careers through an excellent foundation in core academic instruction and rigorous hands-on construction related training. Our curriculum prepares graduates for direct entry into a professional apprenticeship program, college, and a career.

The Academy operates under the direction of a self-appointed, five-member Board of Directors. The Board of Directors is responsible for carrying out provisions of the contract which include, but are not limited to, State-mandated provisions regarding student populations, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy provides services to 17 students.

The Academy's management believes these financial statements present all activities for which the Academy is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

Basis of Presentation

The Academy's basic financial statements consist of a statement of net position and a statement of receipts, disbursements and change in net position. The statement of net position presents the cash balance of the business-type activities of the Academy at fiscal year-end.

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The Academy's basic financial statements consist of a statement of net positions; and a statement of cash receipts, disbursements, and changed in net position. These statements are prepared on the cash basis of accounting as further described in Basis of Accounting below.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and financials

Basis of Accounting

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

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

Budgetary Process

Unlike traditional public schools, located in the State of Ohio, community schools are not required to follow budgetary provision set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's Administrator compare income and expense to actual figures on a regular basis and also prescribes that the board will review and compare expenses and income from reports prepared by the Academy's Treasurer on a monthly basis. Under Ohio Revised Code Section 5705.391, the Academy must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction.

Cash

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds.

Capital Assets

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

Inventory and Prepaid Items

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

Net Cash Position

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

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the Academy. For the Academy, these receipts are primarily foundation payments. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Academy. All receipts and disbursements not meeting this definition are reported as non-operating.

Intergovernmental Receipts

The Academy currently participates in the State Foundation Program. Receipts received from this program are recognized as operating receipts in the accounting period received.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Academy's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Academy recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Academy's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Note 3 – Accountability and Compliance

Accountability

For fiscal year 2016, the Academy has implemented GASB Statement No. 69 "Government Combinations and Disposals of Government Operations".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

Compliance

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

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

Note 4 – Deposits

Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, the carrying amount of the Academy’s deposits totaled \$0 and the bank balance was \$0.

Note 5 - Risk Management

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Summit Academy Management has contracted with a commercial insurance company for property and general liability insurance on behalf of the Academy. Property coverage carries a \$10,000 deductible. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000 in the aggregate. Settled claims for Summit Academy Management have not exceeded insurance coverage during the past three years, and there was no significant reduction in coverage amounts from the prior year policy.

Note 6 - Defined Benefit Pension Plans

Plan Description - School Employees Retirement System (SERS)

Plan Description – The Academy’s 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.		

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.

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Note 6 - Defined Benefit Pension Plans (Continued)

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, 2016, the allocation to the pension trust fund is 13.21 percent, death benefits fund is 0.05 percent, and Medicare B fund is 13.21 percent.

The Academy's contractually required contribution to SERS was \$2,828 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The Academy's 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.

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Note 6 - 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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The Academy's contractually required contribution to STRS was \$22,400 for fiscal year 2016.

Note 7 - Postemployment Benefits

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

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Note 7 - Postemployment Benefits (Continued)

employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0.0 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 2016, this amount was \$23,000. 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 2016, the Academy's surcharge obligation was \$462.

The Academy's contributions for health care for the fiscal years ended June 30, 2016 and 2015 were \$0 and \$27, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

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 2016, 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, 2016 and 2015 were \$0 and \$0 respectively. The full amount has been contributed for fiscal years 2016 and 2015.

Note 8 – Purchased Services

The Sponsor for the Academy, during fiscal year 2016, was the Ohio Department of Education. In accordance with the sponsorship contract between the Sponsor and the Academy and in accordance with Ohio Revised Code Section 3314.03, the Academy will pay a sponsorship fee to the Sponsor of an amount not to exceed three percent of the total State Foundation Program payments during the fiscal year for oversight and monitoring. The Academy paid \$8,751 to the Sponsor during fiscal year 2016 for these services.

The Academy also paid \$359,183 to Summit Academy Management for operation of the school and payment of all expenses.

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Note 9 – Management Company Expenses

Per the agreement with Summit Academy Management, the Academy pays Summit Academy Management as a management fee, the revenue received each month, up to, but not exceeding, the total amount received. The related “purchased service” expense totaled \$367,934 for the year ended June 30, 2016.

Summit Academy Management incurred the following actual direct and indirect expense on behalf of the Academy during fiscal year 2016.

	2016
Salaries and Wages	\$139,231
Retirement and Insurance Benefits	73,597
Professional and Technical Services	103,776
Property Services	65,308
Travel, meals, lodging	3,895
Communications	4,935
Utility Services	9,495
Student Transportation	79,046
General Supplies	92,030
Food and Related Supplies	12,398
Capital Outlay	21,224
Interest Expense	1,587
Other Miscellaneous	50,000
Total Direct Costs	\$656,522
Total Indirect Costs (Overhead)	51,756

Summit Academy Management charges expenses benefiting more than one school (i.e. indirect overhead expenses) pro rata based on the number of students within each school it manages.

Note 10 – Leases

The Central Ohio Chapter, Associated Builders and Contractors, Inc. (ABC Company) provided space for the Academy at a cost of \$2,000 per month.

Note 11 – Loan Payable

Prior to receiving funding from the Ohio Department of Education (ODE), the Academy obtained a loan from ABC Company in the amount of \$50,000 in May, 2013 to cover general operating expenses. The loan agreement specified the principal balance, with interest rate of 3% per annum, shall be due and payable on or before March 31, 2015.

Per the signed promissory note signed in June 2015, the Academy and ABC agreed to extend the maturity date to July 1, 2016. Upon signing the management agreement with Summit Academy Management, the agreement was made to pay this loan payable with funds available at fiscal year-end 2015.

This loan was paid in full on September 10, 2015, paid by Summit Academy Management using Ohio Construction Academy’s funds. This follows the agreement that was signed by both Summit Academy Management and the Academy, when Summit Academy Management became the management company.

Note 12 – Enrollment FTE

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The Ohio Department of Education reviews enrollment data and full time equivalence (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The results of the review could result in state funding being adjusted. The review for the fiscal year ended June 30, 2016 resulted in an overpayment of \$33,232.08.

Note 13 – Federal Tax-Exempt Status

The Academy is a nonprofit corporations that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Note 14 – Management Plan to Alleviate Deficit Net Position

Summit Academy Management is working to decrease expenses for Ohio Construction Academy, to minimize the deficit spending for the following years. The management company has agreed to pay all expenses for Ohio Construction Academy, not invoicing more than 100% of the revenue received each month.

Note 15 – Subsequent Events

As of July 1, 2017, the Academy has contracted with DriveMind Group, Inc. for management services.

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Dave Yost • Auditor of State

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

Ohio Construction Academy
Franklin County
1725 Jetway Blvd
Columbus, Ohio 43219

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 cash-basis financial statements of the Ohio Construction Academy, Franklin County, (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 17, 2017, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles, and is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Academy's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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

August 17, 2017

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

**Filing of Financial Statements
Noncompliance**

Ohio Rev. Code §117.38 and Ohio Admin. Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP).

Ohio Rev. Code §117.38 states that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles (GAAP) shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. 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.

For the year ended June 30, 2016, the Academy's financial statements and footnotes were prepared on the cash basis of accounting, which is a comprehensive accounting basis other than GAAP.

The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and disclosures that, while material, cannot be determined at this time.

The Academy did not file their annual cash basis financial report with Auditor of State for fiscal year ending June 30, 2016 until March 23, 2017, and did not file for an extension. Also, the Academy failed to provide notice in a local newspaper that the financial report was available for public inspection at the office of the Fiscal Officer.

Failure to file the financial report by the required date could cause the Academy to pay \$25 for each day the report remains unfiled, provided the penalty does not exceed \$750.

We recommend the Academy prepare its financial statements in accordance with GAAP and implement controls to help ensure its annual cash basis report is filed with the Auditor of State within the guidelines established by the Ohio Revised Code. (For Cash Basis clients, this is 60 days from Fiscal Year End) We also recommend the annual report be publicized in a local newspaper stating the financial report is available for public inspection at the office of the Fiscal Officer.

Officials' Response:

At the August 14, 2014 board meeting for Ohio Construction Academy, the board passed Resolution 2014-41, approving the cash basis of accounting in lieu of GAAP basis for reporting.

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Filing of Financial Statements - Noncompliance	Not corrected	The Board of Directors passed a resolution to file the financial statements on the cash basis, rather than the GAAP basis. See Finding 2016-001.



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OHIO CONSTRUCTION ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2017**