

**MANSFIELD  
ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Directors  
Mansfield Elective Academy  
40 Hill Road  
Pickerington, Ohio 43147

We have reviewed the *Independent Auditor's Report* of the Mansfield Elective Academy, Richland County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 13, 2018

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**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

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*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Mansfield Elective Academy  
Mansfield, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Mansfield Elective Academy, Richland County, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mansfield Elective Academy, Ohio, as of June 30, 2017, 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 10 to the financial statements, the Academy is requesting forgiveness of intergovernmental payables through legal process. Also, as discussed in Note 15 to the financial statements, the Academy closed on June 30, 2017. Our opinion is not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the Mansfield Elective Academy, Ohio’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mansfield Elective Academy, Ohio’s internal control over financial reporting and compliance.

**James G.  
Zupka, CPA,  
President**  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

Digitally signed by James G. Zupka,  
CPA, President  
DN: cn=James G. Zupka, CPA,  
President, o=James G. Zupka, CPA,  
Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2018.01.02 14:28:10 -05'00'

December 19, 2017

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**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

The management's discussion and analysis of the Mansfield Elective Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was a deficit \$40,624 at June 30, 2017.
- The Academy had operating revenues of \$313,375, operating expenses of \$502,742 and non-operating revenues of \$59,011 for fiscal year 2017. Total change in net position for the fiscal year was a decrease of \$130,356.
- The Academy ceased operations on June 30, 2017.

**Using these Basic Financial Statements**

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

**Reporting the Academy's Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 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 11 of this report.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

*Notes to the Basic Financial Statements*

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 12-21 of this report.

The table below provides a summary of the Academy's net position at June 30, 2017 and June 30, 2016.

	<b>Net Position</b>	
	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current assets	\$ 67,945	\$ 213,201
Non-current assets	<u>13,063</u>	<u>3,000</u>
Total assets	<u>81,008</u>	<u>216,201</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension - STRS	<u>-</u>	<u>61,077</u>
<b><u>Liabilities</u></b>		
Current liabilities	121,632	119,567
Non-current liabilities	<u>-</u>	<u>63,418</u>
Total liabilities	<u>121,632</u>	<u>182,985</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension - STRS	<u>-</u>	<u>4,561</u>
<b><u>Net Position</u></b>		
Investment in capital assets	13,063	3,000
Restricted	-	1,848
Unrestricted (deficit)	<u>(53,687)</u>	<u>84,884</u>
Total net position (deficit)	<u>\$ (40,624)</u>	<u>\$ 89,732</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Academy's net position was a deficit of \$40,624.

The Academy's had a deficit unrestricted net position balance of \$53,687.

At year-end, capital assets represented 16.13% of total assets. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2017 and 2016.

**Change in Net Position**

	<u>2017</u>	<u>2016</u>
<b><u>Operating Revenues:</u></b>		
Foundation revenue	\$ 311,700	\$ 291,244
Other	<u>1,675</u>	<u>635</u>
Total operating revenues	<u>313,375</u>	<u>291,879</u>
<b><u>Operating Expenses:</u></b>		
Fringe benefits	3,669	12,735
Purchased services	459,586	440,619
Materials and supplies	30,195	7,383
Depreciation	3,205	1,878
Other	<u>6,087</u>	<u>11,016</u>
Total operating expenses	<u>502,742</u>	<u>473,631</u>
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	58,691	147,203
Interest revenue	<u>320</u>	<u>265</u>
Total non-operating revenues	<u>59,011</u>	<u>147,468</u>
Change in net position	(130,356)	(34,284)
Net position at beginning of year	<u>89,732</u>	<u>124,016</u>
Net position (deficit) at end of year	<u><u>\$ (40,624)</u></u>	<u><u>\$ 89,732</u></u>

**Capital Assets**

At June 30, 2017, the Academy had \$13,063 invested in equipment, net of accumulated depreciation. See Note 5 in the notes to the basic financial statements for more detail on capital assets. The Academy had capital acquisitions of \$13,268 and depreciation expense of \$3,205 for an increase of \$10,063 in net capital assets.

**Current Financial Related Activities**

The Academy is reliant upon State Foundation monies and State Grants to offer quality educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy applied resources to best meet the needs of its students.

The Mansfield Elective Academy ceased operations on June 30, 2017. See Note 14 of the Basic Financial Statements

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, investors, 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 the Dan Lamb, Treasurer at 40 Hill Road South, Pickerington, Ohio 43147 or email [dlamb@charterschoolspec.com](mailto:dlamb@charterschoolspec.com).

BASIC  
FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 66,091
Receivables:	
Intergovernmental. . . . .	<u>1,854</u>
Total current assets . . . . .	<u>67,945</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>13,063</u>
Total non-current assets. . . . .	<u>13,063</u>
Total assets. . . . .	<u>81,008</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	7,500
Intergovernmental payable . . . . .	<u>114,132</u>
Total liabilities . . . . .	<u>121,632</u>
<b>Net position:</b>	
Investment in capital assets. . . . .	13,063
Unrestricted (deficit) . . . . .	<u>(53,687)</u>
Total net position (deficit). . . . .	<u>\$ (40,624)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 311,700
Other . . . . .	1,675
Total operating revenues . . . . .	<u>313,375</u>
<b>Operating expenses:</b>	
Fringe benefits. . . . .	3,669
Purchased services. . . . .	459,586
Materials and supplies . . . . .	30,195
Other. . . . .	6,087
Depreciation . . . . .	3,205
Total operating expenses. . . . .	<u>502,742</u>
Operating loss . . . . .	<u>(189,367)</u>
<b>Non-operating revenues:</b>	
Federal and State grants . . . . .	58,691
Interest revenue. . . . .	320
Total non-operating revenues . . . . .	<u>59,011</u>
Change in net position . . . . .	(130,356)
<b>Net position at beginning of year . . . . .</b>	<u>89,732</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u><u>\$ (40,624)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 325,539
Cash received from other operations . . . . .	1,675
Cash payments for fringe benefits . . . . .	(3,669)
Cash payments for contractual services . . . . .	(458,854)
Cash payments for materials and supplies . . . . .	(30,195)
Cash payments for other expenses . . . . .	(10,530)
	<u>(176,034)</u>
<b>Net cash used in operating activities . . . . .</b>	
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	124,689
	<u>124,689</u>
<b>Net cash provided by noncapital financing activities. . . . .</b>	
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(13,268)
	<u>(13,268)</u>
<b>Net cash used in capital and related financing activities. . . . .</b>	
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	320
	<u>320</u>
<b>Net cash provided by investing activities . . . . .</b>	
<b>Net decrease in cash and cash equivalents . . . . .</b>	
	<u>(64,293)</u>
<b>Cash and cash equivalents at beginning of year . . . . .</b>	130,384
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 66,091</u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (189,367)
Adjustments:	
Depreciation . . . . .	3,205
Changes in assets, deferred outflows, liabilities and deferred inflows:	
(Decrease) in net pension liability. . . . .	(63,418)
Decrease in deferred outflows - STRS. . . . .	61,077
Decrease in intergovernmental receivable . . . . .	12,967
Decrease in prepayments . . . . .	2,459
Increase in accounts payable. . . . .	732
Increase in intergovernmental payable . . . . .	872
(Decrease) in deferred inflows - STRS. . . . .	(4,561)
	<u>(176,034)</u>
<b>Net cash used in operating activities . . . . .</b>	<u>\$ (176,034)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Mansfield Elective Academy (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of “at-risk” students in kindergarten through eighth grade. “At-Risk” students, for purposes of the Academy, can be described as students who live in non-traditional settings. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy provides educational opportunities for students in kindergarten through eighth grade. The mission of the Academy is to provide elementary and middle school students living within a guardian family setting a comprehensive educational program that helps meet the academic, psycho-social and emotional needs of the students and offers support to their caregivers and the school community.

The Academy entered into a new sponsorship agreement for the period June 15, 2014 through June 30, 2017 with the Ohio Department of Education.

The Academy entered into a fiscal services agreement with Charter School Specialists, LLC. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

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

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

**A. Basis of Presentation**

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

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets plus deferred outflows and all liabilities plus deferred inflows are included on the statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

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

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in their contract with their Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**E. Cash**

Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2017, investments were limited to repurchase agreements. Investments were reported at fair value which is based on quoted market prices.

**F. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The Academy maintains a capitalization threshold of \$1,500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**G. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**H. Operating Revenues and Expenses**

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

**I. Prepayments**

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**J. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, and the Improving Teacher Quality grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2017 was \$58,691.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**K. Estimates**

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

**L. Fair Market Value**

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2017, the Academy has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Academy.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Cash on Hand**

At fiscal year end, the Academy had \$500 in undeposited cash on hand which is included on the financial statements of the Academy as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of the Academy’s deposits was a deficit of \$1,904, exclusive of the \$67,495 in repurchase agreements included in investments. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the Academy’s bank accounts. The negative carrying amount of deposits is due to a timing difference in deposits. The Academy had a zero bank balance at June 30, 2017.

**C. Investments**

As of June 30, 2017, the Academy had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
Fair Value:		
Repurchase agreement	<u>\$ 67,495</u>	<u>\$ 67,495</u>

The Academy’s investments in repurchase agreements are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The federal agency securities underlying the repurchase agreement were rated AA+ by Standard and Poor’s and Aaa by Moody’s. The Academy has no investment policy dealing with credit risk beyond the requirements of State statute.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Academy's \$67,495 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 67,495	100.00

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (1,904)
Cash on hand	500
Investments	<u>67,495</u>
Total	<u>\$ 66,091</u>
<u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 66,091</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/17</u>
Capital assets, being depreciated:				
Equipment	\$ 93,046	\$ 13,268	\$ -	\$ 106,314
Less: accumulated depreciation	<u>(90,046)</u>	<u>(3,205)</u>	<u>-</u>	<u>(93,251)</u>
Capital assets, net	<u>\$ 3,000</u>	<u>\$ 10,063</u>	<u>\$ -</u>	<u>\$ 13,063</u>



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6 - RECEIVABLES**

The Academy had the following intergovernmental receivables at June 30, 2017:

Casino Revenue	\$ 916
Title I	<u>938</u>
Total	<u>\$ 1,854</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

The Academy ceased operations at June 30, 2017, therefore there is no longer a net pension liability. Changes in the Academy's long-term obligations during fiscal year 2017 were as follows.

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Due Within</u> <u>One Year</u>
Net pension liability	\$ 63,418	\$ -	\$ (63,418)	\$ -	\$ -
Total governmental activities long-term liabilities	<u>\$ 63,418</u>	<u>\$ -</u>	<u>\$ (63,418)</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 8 - PURCHASED SERVICES**

For fiscal year ended June 30, 2017, purchased services expenses were as follows:

Professional and technical services	\$ 354,921
Property rental	23,150
Travel and meetings	3,924
Communications	332
Contracted trade	23,828
Other	<u>53,431</u>
Total	<u>\$ 459,586</u>

**NOTE 9 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2017, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer \$25,000 of bond coverage through Travelers Casualty and Surety.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2017, if applicable, cannot be determined at this time.

**B. Litigation**

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements, except for intergovernmental payable in the amount of \$112,756, that is owed to the Mansfield City School District for providing instructional services in prior years. As of the date of this report, the Academy is requesting forgiveness of this amount through legal process.

**C. State Foundation Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

**NOTE 11 - SERVICE AGREEMENT**

The Academy contracted with Interactive Media and Construction, Inc. (IMAC) for educational services, including teachers and administrators. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$296,133 to IMAC for educational services during fiscal year 2017.

**NOTE 12 - FISCAL SERVICE CONTRACT**

The Academy entered into a service contract with Charter School Specialists, LLC. (CSS) for the period July 1, 2016 through June 30, 2017 to provide fiscal consulting services. The Academy paid CSS \$12,000 in service fees for fiscal year 2017.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - OPERATING LEASE - LESSEE DISCLOSURE**

The Academy entered into an operating lease for the period July 1, 2016 through June 30, 2021 for the use of classrooms and office space at the building located at 215 N. Trimble Road, Mansfield, Ohio 44906. There were no payments required through December 31, 2016. Starting January 1, 2017, the Academy was to pay \$2,500 per month in rent. The Academy recorded an accounts payable liability for rent payments for April, May and June 2017 in the amount of \$7,500.

**NOTE 14 - SPONSOR**

Since June 14, 2014, the Academy has contracted with the Ohio Department of Education (“ODE”) to provide sponsorship services. The Academy pays ODE 3 percent of monthly foundation payments. Payments under this contract for fiscal year 2017 totaled \$9,160. The sponsor provides oversight, monitoring, treasury and technical assistance for the Academy.

**NOTE 15 – ACADEMY CLOSURE**

The Academy ceased operations on June 30, 2017 based on a resolution passed by the board. The Academy has followed the closing procedures prescribed by the Ohio Department of Education (ODE). Those procedures including, amount others, official notification to ODE, the students and the community of the Academy’s decision to close. Once all costs and liabilities are known, the Academy will pay its final costs and any residual cash balances remaining will be remitted to ODE per Ohio Revised Code Section 3314.074.

On the following page is the Academy’s Statement of Net Position as of November 30, 2017.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 15 – ACADEMY CLOSURE – (Continued)**

<b>Assets</b>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 61,328
Total Current Assets	<u>61,328</u>
Non-Current Assets:	
Depreciable capital assets, net	<u>11,995</u>
Total Non-Current Assets	<u>11,995</u>
<b>Total Assets</b>	<u><u>73,323</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	2,500
Intergovernmental payable	<u>112,756</u>
<b>Total Liabilities</b>	<u><u>115,256</u></u>
<b>Net Position</b>	
Investment in capital assets	11,995
Unrestricted (Deficit)	<u>(53,928)</u>
<b>Total Net Position (Deficit)</b>	<u><u>\$ (41,933)</u></u>
Beginning Net Position	\$ (40,624)
Revenues	2,092
Expenses	<u>(3,401)</u>
Ending Net Position	<u><u>\$ (41,933)</u></u>

Expenses recorded after the Academy closed on June 30, 2017 were primarily for audit, legal fees and depreciation.

As of December 19, 2017, the Academy had not disposed of any of their capital assets and monies expected to be returned to ODE was unknown.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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

To the Members of the Board  
Mansfield Elective Academy  
Mansfield, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Mansfield Elective Academy, Richland County, Ohio, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 19, 2017, wherein we noted that the Mansfield Elective Academy is requesting forgiveness of intergovernmental payable through the legal process and the Academy closed on June 30, 2017.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2017

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

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The prior audit report as of June 30, 2016, included no findings or management letter recommendations.

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# Dave Yost • Auditor of State

**MANSFIELD ELECTIVE ACADEMY**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2018**