DECA PREP
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

DECA PREP
MONTGOMERY COUNTY

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INDEPENDENT AUDITOR'S REPORT

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DECA Prep, Montgomery County, Ohio, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2016

The management's discussion and analysis of the DECA Prep's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the 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 the fiscal year ended June 30, 2015 are as follows:

- In total, net position was ($1,187,613) at June 30, 2015.

- The Academy had operating revenues of $3,515,224, operating expenses of $3,954,025, non-operating revenues and contributions and donations of $465,017, non-operating expenses of $4,936 and $500,000 in capital contributions for the fiscal year ended June 30, 2015. Total change in net position for the fiscal year ended June 30, 2015 was an increase of $521,280.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-31 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 33 through 37 of this report.

The table below provides a summary of the Academy's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.

Net Position

	2015	Restated 2014
Assets:		
Current assets	$904,861	$691,346
Capital assets, net	1,180,454	65,733
Total assets	2,085,315	757,079
Deferred Outflows of Resources	1,811,670	212,335
Liabilities:		
Current liabilities	521,625	191,418
Non-current liabilities	3,906,025	2,486,889
Total liabilities	4,427,650	2,678,307
Deferred Inflows of Resources	656,948	
Net Position:		
Net investment in capital assets	583,542	6,203
Restricted	189,694	91,171
Unrestricted (deficit)	(1,960,849)	(1,806,267)
Total net position	($1,187,613)	($1,708,893)

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

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

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $518,749 to ($1,708,893).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Academy's net position totaled ($1,187,613).

At year-end, capital assets represented 56.61% of total assets. Capital assets consisted of land, construction in progress, buildings and improvements and equipment. Net investment in capital assets at June 30, 2015, was $583,542. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The table below shows the changes in net position for the fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.

Change in Net Position

	2015	Restated 2014
Operating revenues:		
State foundation	$3,360,801	$2,363,298
Classroom materials and fees		20
Charges for services		4,952
Other	154,423	10,644
Total operating revenues	3,515,224	2,378,914
Operating expenses:		
Personnel services	2,896,172	2,010,073
Purchased services	770,322	506,347
Materials and supplies	223,360	190,952
Other operating expenses	45,534	31,210
Depreciation	18,637	9,233
Total operating expenses	3,954,025	2,747,815
Non-operating revenues/(expenses):		
Intermediate, state and federal grants	388,307	477,097
Interest revenue	162	25
Donations and contributions	76,548	70,203
Interest and fiscal charges	(4,936)	(2,752)
Loss on disposal of capital assets		(809)
Total non-operating revenues/(expenses)	460,081	543,764
Capital contributions	500,000	
Change in net position	521,280	174,863
Net position at beginning of year	(1,708,893)	N/A
Net position at end of year	($1,187,613)	($1,708,893)

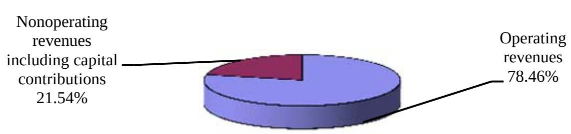
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $525,009 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $525,009. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$3,954,025
Pension expense under GASB 68	(525,009)
2015 contractually required contributions	284,996
Adjusted 2015 program expenses	3,714,012
Total 2014 expenses under GASB 27	2,747,815
Increase in expenses not related to pension	$966,197

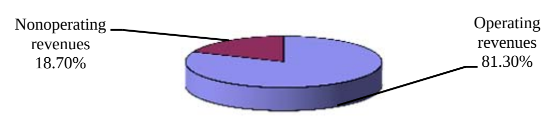
Net position of the Academy increased $521,280 or 30.50%. Operating revenues increased $1,136,310 or 47.77%. The majority of the increase was the result of an increase in State foundation revenue which was primarily due to an increase in students. The Academy began offering 4th grade classes during fiscal year 2015 and had an overall increase of 102 students. Operating expenses increased $1,206,210 or 43.90%. This increase is also related to the new offering of 4th grade classes which led to additional salaries and benefits for new teachers. Intermediate, State and Federal grants decreased $88,790 mainly due to a decrease in 3rd grade guarantee money from the State. The Academy also received a $500,000 donation to purchase their existing building.

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2015 and 2014.

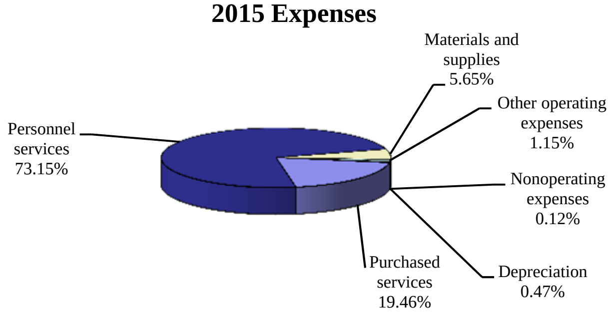
2015 Revenues



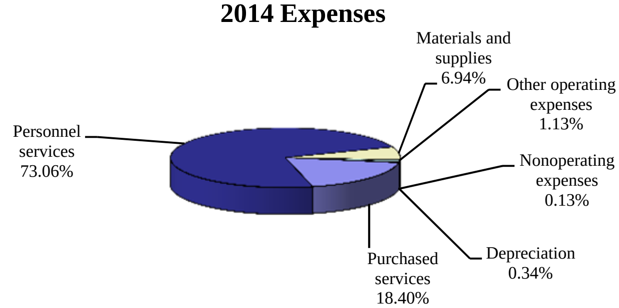
2014 Revenues



2015 Expenses



2014 Expenses



Capital Assets

At June 30, 2015, the Academy had $1,180,454 invested in land, buildings and improvements and equipment. See Note 8 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2015, the Academy had $596,912 in notes payable and capital leases outstanding. Of this total, $313,264 is due in one year and $283,648 is due in more than one year. See Notes 6, 7, and 10 to the basic financial statements for more detail on debt.

Current Financial Related Activities

The Academy is sponsored by the Thomas B. Fordham Foundation. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Nick Martin, Treasurer, DECA Prep, 200 Homewood Avenue, Dayton, Ohio 45405.

DECA PREP
MONTGOMERY COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	$702,561
Receivables:	
Intergovernmental	170,488
Prepayments	31,812
Total current assets	904,861
Non-current assets:	
Non-depreciable capital assets	104,556
Depreciable capital assets, net	1,075,898
Total non-current assets	1,180,454
Total assets	2,085,315
Deferred outflows of resources:	
Pension - STRS	1,429,272
Pension - SERS	382,398
Total deferred outflows of resources	1,811,670
Liabilities:	
Current liabilities:	
Accounts payable	9,258
Accrued wages and benefits	155,547
Pension and postemployment benefits payable	34,615
Intergovernmental payable	6,695
Accrued interest payable	2,246
Notes payable	300,000
Capital leases obligation	13,264
Total current liabilities	521,625
Non-current liabilities:	
Capital leases obligation	33,648
Notes payable	250,000
Net pension liability	3,622,377
Total non-current liabilities	3,906,025
Total liabilities	4,427,650
Deferred inflows of resources:	
Pension - STRS	562,527
Pension - SERS	94,421
Total deferred inflows of resources	656,948
Net position:	
Net investment in capital assets	583,542
Restricted for:	
Restricted for locally funded programs	34,195
Restricted for state programs	728
Restricted for federal programs	154,771
Unrestricted (deficit)	(1,960,849)
Total net position	($1,187,613)

See accompanying notes to the basic financial statements.

DECA PREP
MONTGOMERY COUNTY

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

Operating revenues:	
State foundation	$3,360,801
Other	154,423
Total operating revenues	3,515,224
Operating expenses:	
Personnel services	2,896,172
Purchased services	770,322
Materials and supplies	223,360
Other operating expenses	45,534
Depreciation	18,637
Total operating expenses	3,954,025
Operating loss	(438,801)
Non-operating revenues (expenses):	
Intermediate, state and federal grants	388,307
Interest revenue	162
Donations and contributions	76,548
Interest and fiscal charges	(4,936)
Total non-operating revenues (expenses)	460,081
Income before capital contributions	21,280
Capital contributions	500,000
Change in net position	521,280
Net position at beginning of year (restated)	(1,708,893)
Net position at end of year	($1,187,613)

See accompanying notes to the basic financial statements.

DECA PREP
MONTGOMERY COUNTY

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

Cash flows from operating activities:	
Cash received from foundation	$3,359,434
Cash received from other operations	154,423
Cash payments for personnel services	(2,595,684)
Cash payments for purchased services	(813,315)
Cash payments to suppliers for goods and supplies	(232,782)
Cash payments for other expenses	(36,992)
Net cash used in operating activities	(164,916)
Cash flows from noncapital financing activities:	
Cash received from intermediate, State and federal grants	286,723
Cash received from donations and contributions	76,548
Net cash provided by noncapital financing activities	363,271
Cash flows from capital and related financing activities:	
Principal paid on capital leases	(12,618)
Interest paid on capital leases	(2,690)
Capital contributions	500,000
Proceeds of notes	550,000
Acquisition of capital assets	(1,133,358)
Net cash used in capital and related financing activities	(98,666)
Cash flows from investing activities:	
Interest received	162
Net cash provided by investing activities	162
Net increase in cash and cash cash equivalents	99,851
Cash and cash equivalents at beginning of year	602,710
Cash and cash equivalents at end of year	$702,561
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	($438,801)
Adjustments:	
Depreciation	18,637
Changes in assets and liabilities:	
Intergovernmental receivable	(2,763)
Prepayments	(9,317)
Deferred outflows - pension - STRS	(1,263,231)
Deferred outflows - pension - SERS	(336,104)
Accounts payable	(35,689)
Accrued wages and benefits	58,381
Intergovernmental payable	935
Pension and pos-templyment benefits payable	3,688
Net pension liability	1,182,400
Deferred inflows - pension - STRS	562,527
Deferred inflows - pension - SERS	94,421
Net cash used in operating activities	($164,916)

Non-cash transactions:
During fiscal year 2015, the Academy received $64,661 in non-operating grants, which was recognized as a receivable at June 30, 2014. A receivable in the amount of $166,245 has been recorded for non-operating grants at June 30, 2015.

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACADEMY

DECA Prep (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy is a K-6 school in Dayton, Ohio, designed to immerse prospective first generation college students in a personalized, rigorous elementary curriculum to assure they will succeed in high school and college. The Academy was set up as a feeder school for the Dayton Early College Academy, a separate, independent community school. For fiscal year 2015, grades K-4 and 6 were in operation with grade 5 being added for fiscal year 2016. Fiscal year 2013 represented the first year of operation of the Academy as an independent charter school. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Thomas B. Fordham Foundation (the "Sponsor") for a period of five years commencing July 1, 2012 and ending June 30, 2017. The Sponsor is responsible for evaluating the Academy's performance and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy operates under a self-appointing ten member Governing Board (the "Board"). The Board is composed of a Chairman, Vice Chairman Parent Representative, seven Board members. The Academy's Treasurer is a non-voting member of the Board. The Academy's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 48 certified full-time teaching personnel and 18 non-certified employees who provide services to 434 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Equity consists of net total position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources have been reported for the following three items related to the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, (2) the Academy's contributions to the pension systems subsequent to the measurement date and (3) change in the Academy's proportion percentage.

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

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

The Academy's Board adopts a formal budget at the beginning of the Academy year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Business Manager are responsible for ensuring that purchases are made within these limits.

E. Cash and Investments

All cash the Academy receives is maintained at a central bank. For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool. Non-participating investments contracts are reported at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool the State Treasurer's Office manages, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

During fiscal year 2015, cash the Academy received was maintained in demand deposit accounts.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of $2,500. The Academy does not have any infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings/improvements	50 years
Furniture/equipment	5 - 10 years

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. For the Academy, these revenues are payments from the State foundation program, classroom materials and fees and food service charges. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

H. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Ohio K12 Network grant, Title VI-B grant, the Federal Title I grant, the Federal Title II-A grant and the Federal Public Charters School Program grant. Revenues received from the State Foundation Program are recognized as operating revenues 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. Intermediate, State and Federal grant revenue for the fiscal year 2015 was $388,307.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepayments

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

J. Compensated Absences

The Academy accrues a liability for employees that were Board approved to receive severance.

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. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

M. Pensions

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

3. CHANGES IN ACCOUNTING POLICIES

For fiscal year 2015, the Academy implemented GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*”, GASB Statement No. 69 *“Government Combinations and Disposals of Government Operations”,* and GASB Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68”.*

3. CHANGES IN ACCOUNTING POLICIES (Continued)

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Academy's pension plan disclosures, as presented in Note 14, and added required supplementary information which is presented after the notes to the financial statements.

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

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

Net position as previously reported	$518,749
Deferred outflows - payments subsequent to measurement date	212,335
Net pension liability	(2,439,977)
Restated net position at July 1, 2014	($1,708,893)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. DEPOSITS AND INVESTMENTS

A. Cash on Hand

At fiscal year end, the Academy had $1,900 in un-deposited 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, 2015, the carrying amount of all Academy deposits was $500,535. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, $426,955 of the Academy's bank balance of $676,955 was exposed to custodial credit risk as discussed below while $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits that are not FDIC insured. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds that are not FDIC insured or as specific collateral held at the Federal Reserve Bank in the name of the Academy. 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.

C. Investments

As of June 30, 2015, the Academy had the following investments and maturities:

		Investment Maturities
Investment type	**Fair Value**	**6 months or less**
STAR Ohio	$200,126	$200,126

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: STAR Ohio carries a rating of AAAm by Standard & Poor's.

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 the Academy held at June 30, 2015:

Investment type	Fair Value	% of Total
STAR Ohio	$200,126	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, 2015:

Cash and investments per note	
Carrying amount of deposits	$500,535
Investments	200,126
Cash on hand	1,900
Total	$702,561

Cash and investments per statement of net position	
Business-type activities	$702,561

5. RECEIVABLES

Receivables at June 30, 2015 consisted of intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net position follows:

Intergovernmental:	
Title I	$161,933
Title II-A	3,112
Title VI-B	1,200
State Foundation	1,059
SERS Reimbursement	3,184
Total	$170,488

6. LONG-TERM OBLIGATIONS

Changes in the Academy's long-term obligations during fiscal year 2015 were as follows. The long-term obligations at June 30, 2014 have been restated as described in Note 3.

	Restated Balance 06/30/14	Additions	Reductions	Balance 06/30/15	Due Within One Year
Capital lease obligation payable	$59,530		($12,618)	$46,912	$13,264
Net pension liability	2,439,977	$1,182,400		3,622,377	
Note payable - subordinate note		250,000		250,000	
Total governmental activities long-term liabilities	$2,499,507	$1,432,400	($12,618)	$3,919,289	$13,264

Capital Lease Obligation: See Note 10 for details.

Net Pension Liability: See Note 14 for details.

Note Payable - Subordinate Note: During fiscal year 2015, the Academy entered into an agreement to purchase the buildings at 200 Homewood Avenue, Dayton, Ohio, and 249 Squirrel Road, Dayton, Ohio that the Academy had previously leased (See Note 11). As part of the purchase, the Academy entered into a $250,000 subordinate promissory note which shall be forgiven (a) in an amount equal to $1 for every $2 of capital investment the Academy makes to the buildings ("capital investment" being defined as funds expended to either buy fixed assets or to add value to an existing asset with a useful life that extends beyond the taxable year in which the expenditure occurs) or (b) in total at the end of ten years if the Academy is then using, and has at all time during such ten year period used, the buildings solely for the operation of a school serving K through 12 students, pre-school students or a subsection thereof. To the extent it is not forgiven as provided in (a) or (b) above, the note will be due and payable in full upon the first to occur of the following: (A) the Academy ceasing to use the buildings for the specific use or (B) any change in ownership of the buildings or (C) a default under the note. No amount had been forgiven at June 30, 2015.

7. SHORT-TERM NOTES PAYABLE

A summary of the Academy's short-term notes payable is found below:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015
Notes payable - 3.50%	$0	$300,000	$0	$300,000

Note Payable: During fiscal year 2015, the Academy entered into an agreement to purchase the buildings at 200 Homewood Avenue, Dayton, Ohio, and 249 Squirrel Road, Dayton, Ohio that the Academy had previously leased (See Note 11). As part of the purchase, the Academy entered into a $300,000 promissory note. The note shall bear interest at rate of 3.50% per annum. The note is for one year and will mature April 14, 2016.

8. CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2015, follows:

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15
Capital assets, not being depreciated:				
Land		$52,685		$52,685
Construction in progress		51,871		51,871
Total capital assets, not being depreciated		104,556		104,556
Capital assets, being depreciated:				
Buildings and Improvements		1,017,416		1,017,416
Equipment	$74,966	11,386		86,352
Total capital assets, being depreciated	74,966	1,028,802		1,103,768
Less: Accumulated Depreciation:				
Buildings and Improvements		(3,351)		(3,351)
Equipment	(9,233)	(15,286)		(24,519)
Total accumulated depreciation	(9,233)	(18,637)		(27,870)
Net Capital Assets	$65,733	$1,114,721	$0	$1,180,454

9. PURCHASED SERVICES

Purchased services include the following:

Professional and technical services	$418,310
Property services	219,530
Travel mileage/meeting expense	24,253
Communications	37,546
Utilities	69,798
Pupil transportation	35
Other purchased services	850
Total purchased services	$770,322

10. CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been originally capitalized in the amount of $67,332, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was $22,444, leaving a current book value of $44,888. Principal and interest payments in the 2015 fiscal year totaled $12,618 and $2,690, respectively.

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

Fiscal Year Ending June 30,	Amount
2016	$15,308
2017	15,308
2018	15,308
2019	5,103
Total future minimum lease payments	51,027
Less: amount representing interest	(4,115)
Present value of future minimum lease payments	$46,912

11. OPERATING LEASES

The Academy entered into a lease for fiscal year 2013 with Corpus Christi Roman Catholic Church to lease a school building located at 200 Homewood Avenue, Dayton, Ohio and the Corpus Christi recreation center located at 249 Squirrel Road, Dayton, Ohio. The initial terms of the lease were five years commencing July 1, 2012 and ending June 30, 2017. The Academy purchased the buildings on April 14, 2015 and only made lease payments through March 2015. Lease payments for fiscal year 2015 total $87,750.

12. RISK MANAGEMENT

A. Property and Liability

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. During fiscal year 2015, the Academy contracted with Cincinnati Insurance Company for commercial property, employee liability, theft, electronic data processing and commercial umbrella liability insurance. General liability carries a limit of $1,000,000 for each occurrence and $2,000,000 aggregate. Commercial umbrella liability carries a limit of $3,000,000 for each occurrence. There have been no significant reductions in insurance coverage from the previous year. Settlements have not exceeded coverage for the past three fiscal years.

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates.

13. OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

The Academy has contracted with United Health Care for medical, life and vision benefits and Superior Dental for dental benefits to its employees.

14. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions––between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and post-employment benefits payable* on the accrual basis of accounting.

14. DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – 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 after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $51,263 for fiscal year 2015.

14. DEFINED BENEFIT PENSION PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS)

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

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

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

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.

14. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The Academy's contractually required contribution to STRS was $233,733 for fiscal year 2015. Of this amount, $7,719 is reported as pension and postemployment benefits payable.

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

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

	SERS	STRS	Total
Proportionate share of the net pension liability	$581,755	$3,040,622	$3,622,377
Proportion of the net pension liability	0.011495%	0.01250078%	
Pension expense	$115,494	$409,515	$525,009

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

	SERS	STRS	Total
Deferred outflows of resources:			
Differences between expected and actual experience	$4,951	$29,273	$34,224
Academy contributions subsequent to the measurement date	51,263	233,733	284,996
Change in Academy's proportion	326,184	1,166,266	1,492,450
Total deferred outflows of resources	$382,398	$1,429,272	$1,811,670
Deferred inflows of resources:			
Net difference between projected and actual earnings on pension plan investments	$94,421	$562,527	$656,948
Total deferred inflows of resources	$94,421	$562,527	$656,948

14. DEFINED BENEFIT PENSION PLANS (Continued)

$284,996 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$59,179	$158,253	$217,432
2017	59,178	158,253	217,431
2018	59,179	158,253	217,432
2019	59,178	158,253	217,431
Total	$236,714	$633,012	$869,726

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

14. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$829,992	$581,755	$372,967

14. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions - STRS

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

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

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

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

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

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

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

14. DEFINED BENEFIT PENSION PLANS (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$4,352,982	$3,040,622	$1,930,807

15. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other post-employment 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 at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Academy's surcharge obligation was $5,119.

15. POST-EMPLOYMENT BENEFITS (Continued)

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $8,385, $2,511, and $190, respectively. For fiscal year 2015, 100 percent has been contributed; however the surcharge is reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $13,047, and $7,692 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

16. CONTINGENCIES

A. Grants

The Academy received financial assistance from State agencies in the form of grants. The expense 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of schools' enrollment data and full-time equivalency (FTE) calculations. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Academy is due $1,059 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

17. SERVICE AGREEMENTS

Thomas B. Fordham Foundation

The Academy entered into a five-year contract effective on July 1, 2012 and continuing through June 30, 2017 with the Thomas B. Fordham Foundation (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with applicable laws and the terms of the contract; and,
- Monitor and evaluate the academic, fiscal performance and the organization and operation of the Academy.

The Academy paid the Sponsor a 2.00% sponsorship fee, based on State foundation revenue for fiscal year 2015. During fiscal year 2015, the Academy made $66,739 in payments to the Sponsor.

18. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Computer Association - The Academy is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium of area school districts sharing computer resources. MDECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium. During fiscal year 2015, the Academy paid $8,661 to MDECA. To obtain financial information, write to the Metropolitan Dayton Educational Computer Association, Dean Reineke, who serves as Executive Director, 225 Linwood Street, Dayton, Ohio 45405.

19. RELATED PARTIES

The Superintendent and Treasurer of DECA Prep serve in the same capacity for Dayton Early College Academy. Members of the Governing Board for DECA Prep also serve on the board for Dayton Early College Academy. During fiscal year 2015, Dayton Early College Academy served as fiscal agent for the Conner Donation grant and the Straight A grant for DECA Prep. During fiscal year 2015, $134,906 in grants and expenses were passed through Dayton Early College Academy. These are reflected as intermediate, state and federal grants and various operating expenses in DECA Prep's basic financial statements.

20. SUBSEQUENT EVENT

On September 30, 2015, the Academy entered into a sublease agreement with the Miami-Jacobs Business College Company to sublease a portion of the premises at 110 and 120 North Patterson Street for a period of seven years.

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DECA PREP
MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
Academy's proportion of the net pension liability	0.01149500%	0.00463823%
Academy's proportionate share of the net pension liability	$ 581,755	$ 275,840
Academy's covered-employee payroll	$ 334,012	$ 112,587
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Academy's measurement date which is the prior fiscal year.

DECA PREP
MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	**2013**
Academy's proportion of the net pension liability	0.01250078%	0.00746922%
Academy's proportionate share of the net pension liability	$ 3,040,622	$ 2,164,137
Academy's covered-employee payroll	$ 1,277,238	$ 769,177
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	281.36%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Academy's measurement date which is the prior fiscal year.

DECA PREP
MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2015	2014	2013
Contractually required contribution	$ 51,263	$ 46,294	$ 15,582
Contributions in relation to the contractually required contribution	(51,263)	(46,294)	(15,582)
Contribution deficiency (excess)	$ -	$ -	$ -
Academy's covered-employee payroll	$ 388,945	$ 334,012	$ 112,587
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%

Note: Information prior to fiscal year 2013 was unavailable as that was the first year of operations of the Academy.

DECA PREP
MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2015	2014	2013
Contractually required contribution	$ 233,733	$ 166,041	$ 99,993
Contributions in relation to the contractually required contribution	(233,733)	(166,041)	(99,993)
Contribution deficiency (excess)	$ -	$ -	$ -
Academy's covered-employee payroll	$ 1,669,521	$ 1,277,238	$ 769,177
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%

Note: Information prior to fiscal year 2013 was unavailable as that was the first year of operations of the Academy.

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

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Dave Yost • Auditor of State

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

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of DECA Prep, Montgomery County, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 24, 2016, wherein we noted the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2016

Dave Yost · Auditor of State

DECA PREP

MONTGOMERY 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
APRIL 14, 2016

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