



**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cesar Chavez College Preparatory Academy
Franklin County
1132 Windsor Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cesar Chavez College Preparatory Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. The financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cesar Chavez College Preparatory Academy, Franklin County, Ohio, as of and for the year ended June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2010 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 24, 2010

Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2009
(Unaudited)

The discussion and analysis of Cesar Chavez College Preparatory Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and prior year is required to be presented. However, since this is the Academy's first year of operations, only one year of data will be presented.

Financial Highlights

Key financial highlights for the Cesar Chavez College Preparatory Academy during the period ended June 30, 2009 are as follows:

- Total ending net assets of the Academy were \$42,143.
- Total assets were \$55,691 and total liabilities were \$13,548.
- The Academy's operating income for this 12-month period was \$14,481.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2009
(Unaudited)

Statement of Net Assets (Continued)

This statement reports the Academy's net assets; however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the Academy's net assets for June 30, 2009.

	<u>2009</u>
Assets:	
Current Assets	\$ 55,691
Total Assets	<u>55,691</u>
Liabilities	
Current liabilities	<u>13,548</u>
Total Liabilities	<u>13,548</u>
Net Assets:	
Restricted	27,662
Unrestricted	<u>14,481</u>
Total Net Assets	<u><u>\$ 42,143</u></u>

A comparative analysis will be provided in future years when prior year information is available.

Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2009
(Unaudited)

Table 2 shows the changes in net assets for the 12-month period ended June 30, 2009.

Table 2
Change in Net Assets

	2009
Operating Revenues:	
Foundation Payments	\$ 284,496
Non Operating Revenues:	
State Subsidies	3,000
Federal Subsidies	24,662
Total Revenues	\$ 312,158
Operating Expenses:	
Salaries & Wages	\$ 74,421
Fringe Benefits	30,009
Rent	27,500
Contracted Fiscal Services	20,705
Other Purchased Services	100,821
Materials and Supplies	16,054
Other Expenses	505
Total Expenses	\$ 270,015
Change in Net Assets	\$ 42,143
Net Assets, Beginning of Year	-
Net Assets, End of Year	\$ 42,143

A comparative analysis will be provided in future years when prior year information is available.

Operating Revenues, which are composed of Foundation Payments, were \$284,496, which represents 91.1% of total revenues. 93.9% of operating expenses are composed of contractual obligations relating to payroll, building rental, fiscal services, and management company services.

Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2009
(Unaudited)

Capital Assets

At the end of fiscal year 2009, the Academy had \$0 invested in furniture, fixtures and equipment. There was a total of \$0 in purchases which met the Academy's capitalization threshold of \$500 during the year.

Debt

At June 30, 2009, the Academy had no outstanding debt.

Currently Known Facts

At this time there are no facts that would significantly effect the financial condition of the Academy.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Cesar Chavez College Preparatory Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Cesar Chavez College Preparatory Academy, 1111 Windsor Ave., Columbus, Ohio 43211.

Cesar Chavez College Preparatory Academy
Franklin County

Statement of Net Assets
As of June 30, 2009

Assets:	
Current Assets	
Cash and cash equivalents	\$ 35,086
Intergovernmental receivables	<u>20,605</u>
Total Current Assets	<u>55,691</u>
Total Assets	<u>55,691</u>
Liabilities:	
Current Liabilities	
Accrued Wages Payable	11,588
Intergovernmental Payable	<u>1,960</u>
Total Current Liabilities	<u>13,548</u>
Total Liabilities	<u>13,548</u>
Net Assets:	
Restricted	27,662
Unrestricted	<u>14,481</u>
Total Net Assets	<u>\$ 42,143</u>

See accompanying notes to the financial statements.

Cesar Chavez College Preparatory Academy
Franklin County

Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Operating Revenues:	
Foundation Payments	\$ 284,496
Total Operating Revenues	<u>284,496</u>
Operating Expenses:	
Salaries & Wages	74,421
Fringe Benefits	30,009
Rent	27,500
Contracted Fiscal Services	20,705
Other Purchased Services	100,821
Materials and Supplies	16,054
Other Expenses	505
Total Operating Expenses	<u>270,015</u>
Operating Income	<u>14,481</u>
Non-Operating Revenues	
State and Federal Grant Revenue	<u>27,662</u>
Total Non-Operating Revenues	<u>27,662</u>
Change in Net Assets	42,143
Net Assets, Beginning of Year	<u>-</u>
Net Assets, End of Year	<u>\$ 42,143</u>

See accompanying notes to the financial statements.

Cesar Chavez College Preparatory Academy
Franklin County

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 284,496
Cash Payments to Employees for Services and Benefits	(90,882)
Cash Payments to Suppliers for Goods and Services	(165,585)
Net Cash Provided by Operating Activities	<u>28,029</u>

Cash Flows from Noncapital Financing Activities

Federal and State Grants	<u>7,057</u>
Net Cash Provided by Noncapital Financing Activities	<u>7,057</u>

Net Increase In Cash and Cash Equivalents 35,086

Cash and Cash Equivalents, Beginning of Year -

Cash and Cash Equivalents, End of Year \$ 35,086

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Income	\$ 14,481
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accrued Wages and Benefits	11,588
Increase in Intergovernmental Payable	<u>1,960</u>
Total Adjustments	<u>13,548</u>
Net Cash Provided by Operating Activities	<u>\$ 28,029</u>

See accompanying notes to the financial statements.

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Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009

1. Description of the School and Reporting Entity:

Cesar Chavez College Preparatory Academy (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Richland Academy during the fiscal year ended June 30, 2009, and renews annually every June 30th unless cancelled by either party with 90 days notice.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers.

On June 23, 2008, the Academy and Educational Solutions Co. entered into a management contract. Under this contract, Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501©(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization.

2. Summary of Significant Accounting Policies:

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. 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, if any) 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.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

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 and all liabilities are included on the Statement of Net Assets. The difference between total assets and liabilities are defined as net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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. 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 Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds. For purposes of the statement of cash flows, the Academy considers all investments having original maturities of 90 days or less as cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$500. Improvements are capitalized. The cost 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 reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings	40 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	15 years

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

2. Summary of Significant Accounting Policies (Continued):

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

G. Intergovernmental Revenues

The Academy is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which it is earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled \$284,496 and revenues associated with specific education grants from the state and federal governments totaled \$27,662 during fiscal year 2009.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation, if any.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2009, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2009 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2009 that were paid in the subsequent fiscal year.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009

2. Summary of Significant Accounting Policies (Continued):

J. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, if any, consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the Academy at year-end represent unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments:

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

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

At June 30, 2009, the carrying amount of the Academy's deposits was \$35,086 and the bank balance was \$35,304. Of the bank deposits, all were covered under FDIC. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

4. Risk Management:

A. Property and Liability

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2009, the Academy contracted with Hanover Insurance Company for its insurance coverage as follows:

General Liability per occurrence	\$1,000,000
General Liability aggregate	\$2,000,000

Settlement amounts did not exceed coverage amounts in fiscal year 2009.

B. Employee Insurance Benefits

The Academy utilizes Anthem Blue Cross/Blue Shield, VSP and Superior Dental to provide health, life, vision and dental insurance benefits to Academy employees.

5. Defined Benefit Pension Plans:

A. Academy Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; at June 30, 2009, 9.09percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for fiscal year ended June 30, 2009 was \$4,571; 100 percent has been contributed for fiscal year 2009.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

5. Defined Benefit Pension Plans (Continued):

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (800) 227-7877, or by visiting STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2009, plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2009 was \$18,793. 100 percent has been contributed for fiscal year 2009.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

6. Post-employment Benefits

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the Academy, the STRS amounts allocated to post-employment health care for fiscal year ended June 30, 2009 was \$1,446.

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

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

A. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. The Academy contributions for the year ended June 30, 2009 were \$311, which equaled the required contributions for the year.

B. Health Care Plan

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

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

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

6. Post-employment Benefits (Continued):

B. Health Care Plan (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. The Academy contributions for the year ended June 30, 2009 were \$1,518.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated accordingly to service credit earned. For fiscal year 2009, the minimum compensation level was established at \$35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

7. Restricted Net Assets:

At June 30, 2009 the Academy reported restricted net assets totaling \$27,662. The nature of the net asset restrictions are as follows:

State specific educational program grants	\$ 3,000
Federal specific educational program grants	<u>24,662</u>
Total	<u>\$27,662</u>

8. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at June 30, 2009.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

8. Contingencies (Continued):

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The Academy does not anticipate any material adjustments to state funding for fiscal year 2009 as a result of such review.

9. Contracted Fiscal Services:

The Academy is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve month period beginning July 1, 2008, and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the Academy:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.
2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource all support.

The total fee paid for these services during fiscal year 2009 was \$20,705.

10. Other Purchased Services:

During the fiscal year ended June 30, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$57,167
Communications	4,989
Management Services	34,140
Other	<u>4,525</u>
Total Purchased Services	<u>\$100,821</u>

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2009
(Continued)

11. Operating Lease:

The Academy entered into a lease agreement for a building August 1, 2008 with J. Ashburn Youth Center. The lease is scheduled to expire July 31, 2011 and have the option to renew for an additional 3 years unless written notice is given within 60 days of the end of the lease term. Lease payments to the J. Ashburn Youth Center totaled \$27,500 for the fiscal year ended June 30, 2009. The minimum payments due under the agreement for fiscal year 2010 are \$30,000. The minimum payments due under the agreement for fiscal year 2011 are \$30,000.

12. Subsequent Events:

On September 1, 2009, the Academy amended their lease agreement with J Ashburn Youth Center for their building. Rent payments increased from \$2,500 to \$5,600 monthly, while the renewal clause was revised to allow for two one year period renewals instead of one three year renewal.



Mary Taylor, CPA

Auditor of State

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

Cesar Chavez College Preparatory Academy
Franklin County
1132 Windsor Avenue
Columbus, OH 43211

To the Board of Directors:

We have audited the financial statements of the Cesar Chavez College Preparatory Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 24, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Academy's management in a separate letter dated February 24, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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, providing an opinion 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*.

We did note an instance of noncompliance or other matter that we reported to the Academy's management in a separate letter dated February 24, 2010.

We intend this report solely for the information and use of management, Board of Directors, the Academy's Sponsor, Richland Academy, and the Academy's Management Company, Ed Solutions. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 24, 2010



Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Cesar Chavez College Preparatory Academy
Franklin County
85 Clarendon Ave
Columbus, Ohio 43223

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether the Cesar Chavez College Preparatory Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on June 18, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board, the Academy's Sponsor, Richland Academy, and the School's Management Company, Ed Solutions and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 24, 2010



Mary Taylor, CPA
Auditor of State

CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2010**