



Dave Yost • Auditor of State

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Central Academy of Ohio
Lucas County
2727 Kenwood Boulevard
Toledo, OH 43606-3216

To the Board of Directors:

We have audited the accompanying basic financial statement of Central Academy of Ohio, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Academy of Ohio, Lucas County as of June 30, 2010, and the changes in its financial position and its cash flows, thereof 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 July 13, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Dave Yost
Auditor of State

July 13, 2011

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the Central Academy of Ohio's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2010. 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

- Total Assets were \$49,165.
- Total Liabilities were \$566,877.
- Total Change in Net Assets was (\$136,797).

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2010?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 compared to 2009:

Table 1 Net Assets		
	2010	2009
Assets		
Current Assets	\$ 49,165	\$ 90,500
Total Assets	49,165	90,500
Liabilities		
Current Liabilities	566,877	471,715
Total Liabilities	566,877	471,715
Net Assets		
Restricted for Grants		3,094
Unrestricted	(517,712)	(384,009)
Total Net Assets	\$ (517,712)	\$ (380,915)

Assets totaled \$49,165. Cash and cash equivalents amounted to \$12,317. Intergovernmental Receivables amounted to \$36,848, consisting primarily of a \$27,768 receivable from Bridge Academy of Ohio for Central Academy's portion of Federal School Lunch and Breakfast Program Receipts.

The most significant liabilities were payable to Global Educational Excellence, the Management Company in the amount of \$527,827.

Academy assets decrease from prior year and Academy liabilities increased from prior year as the Academy continued to spend more than received. The (\$517,712) deficit in unrestricted net assets represents the accumulated results of the past year's operations. Since the unrestricted net assets balance is a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009:

Table 2
Change in Net Assets

	2010	2009
Revenues		
Operating Revenues:		
Foundation Payments	\$ 321,746	\$ 417,077
Classroom Fees	6,861	3,191
Non-Operating Revenues:		
Federal Grants	489,088	245,269
Total Revenues	817,695	665,537
Expenses		
Operating Expenses		
Purchased Services	954,492	825,004
Total Expenses	954,492	825,004
Change in Net Assets	(136,797)	(159,467)
Beginning Net Assets	(380,915)	(221,448)
Ending Net Assets	\$ (517,712)	\$ (380,915)

During the 2009-2010 school year, there were approximately 46 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2010 amounted to \$5,718 per student.

The Academy's business-type activities consist of enterprise activity. Community Schools receive no support from tax revenues.

Operating revenues decreased as a result of a decrease in enrollment from the prior year.

Operating expenses increased because the Academy received additional community school start up grant funds to purchase materials and supplies. Also, because the Academy is only in its third year of operation, the Academy continues to purchase equipment and supplies required to start up. Most expenses are purchased services. Per contract, the Academy remits most of its revenue to Global Educational Excellence, the Management Company, which incurs costs on behalf of the Academy to provide instruction and other costs. See Note 9 for more detail.

Capital Assets

As of June 30, 2010, the Academy did not incur any capital assets additions. No major capital projects are planned for the 2010-2011 fiscal year.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Current Financial Issues

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 99% percent of revenue is from the foundation allowance and federal operating grant funds. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue is not known.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens 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 information, contact the Academy at 419-475-6620.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 12,317
Intergovernmental Receivables	36,848
Total Current Assets	<u>49,165</u>

Liabilities:

Current Liabilities:

Accounts Payable	16,863
Accounts Payable to Global Educational Excellence	527,827
Intergovernmental Payable	22,187
Total Current Liabilities	<u>566,877</u>

Net Assets:

Unrestricted Deficit	<u>(517,712)</u>
Total Net Assets	<u>\$ (517,712)</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Operating Revenues:</u>	
Foundation Payments	\$ 321,746
Classroom Fees	<u>6,861</u>
Total Operating Revenues	<u>328,607</u>
<u>Operating Expenses:</u>	
Purchased Services	<u>954,492</u>
Operating Loss	<u>(625,885)</u>
<u>Non-Operating Revenues:</u>	
Non-Operating Grants - Federal	<u>489,088</u>
Change in Net Assets	(136,797)
Net Assets Beginning of Year	<u>(380,915)</u>
Net Assets End of Year	<u><u>\$ (517,712)</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 321,746
Cash Received from Classroom Fees	6,861
Cash Payments to Suppliers for Goods and Services	<u>(888,111)</u>

Net Cash Used for Operating Activities (559,504)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants - Federal	<u>521,037</u>
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Net Decrease in Cash and Cash Equivalents (38,467)

Cash and Cash Equivalents at Beginning of Year 50,784

Cash and Cash Equivalents at End of Year \$ 12,317

(Continued)

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

**Reconciliation of Operating Loss
to Net Cash Used for Operating Activities:**

Operating Loss \$ (625,885)

**Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities:**

Changes in Assets and Liabilities:

(Increase) Decrease in Assets:

Increase in Intergovernmental Receivable (9,080)

Increase (Decrease) in Liabilities:

Decrease in Accounts Payable (11,831)

Increase in Accounts Payable to Global Educational Excellence 107,313

Decrease in Intergovernmental Payable (20,021)

Total Adjustments 66,381

Net Cash Used for Operating Activities \$ (559,504)

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Central Academy of Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades six through eight. The Academy's objective is to promote lifelong learning by nurturing academic excellence, positive character, and an appreciation of cultures. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code.

The Academy has a charter agreement under the oversight of Ohio Council of Community Schools (OCCS) for a period of five years commencing March 14, 2007 and ending June 30, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3% percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a five member board of directors. The board of directors 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. The board of directors controls the Academy's instructional/support facility staffed by five noncertified and three certified full-time teaching personnel who provide services to 53 students.

The governing board has entered into a management contract with Global Educational Excellence to provide consulting services, including teacher training, curriculum development, financial management, and state relations. (See Note 9)

NOTE 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 a governmental nonprofit organization. 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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

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

B. 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 statements of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include 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 Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except under Ohio Revised Code Section 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction. Also, the contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's management company, Global Educational Excellence, which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

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

G. 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 maintains a capitalization threshold of five thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	5 years
Furniture, Fixtures and Equipment	5 years

H. 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, 2010, including accounts payable, amounts payable to the Management Company, Global Educational Excellence and Intergovernmental Payables.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as nonoperating.

K. Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

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

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

L. 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 those estimates.

NOTE 3 - DEPOSITS

At fiscal year end, the carrying amount of the Academy's deposits was \$12,317 and the bank balance was \$102,317. As of June 30, 2010, the bank balance was fully covered by the Federal Deposit Insurance Corporation

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental receivables arising from National School Lunch Federal reimbursements that were deposited into Bridge Academy bank accounts and not transferred by year end. The remaining receivables were related to overpayment of unemployment tax and overpayment of pension contributions. All receivables are considered collectable in full and are expected to be received within one year.

The following Intergovernmental Receivables consist of the following:

Bridge Academy of Ohio	\$ 27,768
Global Educational Excellence	3,882
Ohio STRS and SERS	<u>5,198</u>
Total Intergovernmental Receivables	<u>\$ 36,848</u>

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2010, the Academy obtained insurance thru broker Bosquett & Company with the following insurance coverage:

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 5 - RISK MANAGEMENT – (Continued)

Commercial General Liability per Occurrence	\$ 1,000,000
Commercial General Liability Aggregate	2,000,000
Educators Professional Liability:	
Per Occurrence	1,000,000
Aggregate	1,000,000
Business Personal Property	1,475,000
Excess Liability:	
Limits of Liability	3,000,000

Claims have not exceeded coverage for the past two fiscal years.

B. Workers' Compensation

The Academy pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - 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 Academy 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. For fiscal year 2010, 12.78 percent 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligation to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$20,774, \$12,820, and \$9,357, respectively; 99.72 percent has been contributed for fiscal years 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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 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 - For fiscal year 2010, plan members were required to contribute 10 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$14,668, \$15,064, and \$8,346, respectively; 100 percent has been contributed for fiscal years 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215- 3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$748, \$5,867 and \$4,270 respectively. 99.72 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76% percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,235, \$1,058 and \$674 respectively. 99.72 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS – (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2010 was \$1,128. 100 percent has been contributed for fiscal year 2010.

NOTE 8 - OTHER EMPLOYEE BENEFITS

Employees of the Academy are employed by Global Educational Excellence. Policies and procedures, and benefits are approved by the Global Educational Excellence.

NOTE 9 - MANAGEMENT AGREEMENT

The Academy entered into a 5-year contract, effective March 14, 2007 with an original expiration date of June 30, 2012, with Global Educational Excellence for educational management services. The contract contains a provision which extends the contract for successive one-year periods unless terminated by either party. In exchange for its services, Global Educational Excellence receives a management fee equal to 10% percent of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require Global Educational Excellence to provide the following:

- A. **Responsibility.** Contractor shall be responsible, and accountable to the Board, for the administration, operation and performance of the Academy, in accordance with appropriate sections of the law and the Contract. Contractor shall use its best efforts to perform the obligations and responsibilities of the Academy under the law and the Contract on behalf of the Academy or to assist the Academy in performing those obligations and responsibilities. Nothing in this Agreement shall be construed to prevent the Board from exercising its statutory, contractual or fiduciary responsibilities or from setting policies governing the operation of the Academy. Decisions made by the Contractor which by law or the Contract must be made by the Board in compliance with the Ohio Open Meetings Act shall not be binding on the Academy and its Board.

- B. **Educational Program.** The educational program and the program of instruction shall be designed by Contractor in accordance with the Contract, and may be adapted and modified from time to time with prior Board approval, it being understood that an essential principle of a successful, effective educational program is its flexibility, adaptability, and capacity to change in the interest of continuous improvement and efficiency, and that the Board and Contractor are interested in results and not in inflexible prescriptions. Notwithstanding the foregoing, the Board shall have the right to approve material changes to the educational program and programs of instruction necessitated by the failure of the Academy to meet the goals identified in the Contract or otherwise abide by the terms of the Contract. The parties acknowledge that changes to the educational program may require an amendment to the Contract prior to implementation.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT - (Continued)

As between the parties, all intellectual property, proprietary information or other rights in or to any curriculum, educational materials or teaching techniques developed by Contractor for the Academy shall be the property of the Academy and shall be subject to disclosure under the law and the Ohio Freedom of Information Act unless specifically exempt.

- C. **Strategic Planning.** Contractor shall design strategic plans for the continuing educational and financial benefit of the Academy.
- D. **Public Relations.** Contractor shall design an ongoing public relations strategy for the development of beneficial and harmonious relationships with other organizations and the community, for implementation by the Academy as Board. Marketing and development costs paid by or charged to the Academy shall be limited to those costs specific to the Academy program, and shall not include any costs for the marketing and development of the Contractor or any Academy managed by the Contractor.
- E. **Specific Functions.** Contractor shall be responsible for the management, operation, administration, and provision of educational and custodial activities at the Academy. Such functions may include, but are not limited to:
1. implementation and administration of the Educational Program, including the recommendation and acquisition of instructional materials, equipment and supplies (subject to the right of the Board to approve text books), and the administration of any and all extra and co-curricular activities and programs as approved by the Academy Board;
 2. management of all personnel functions, including professional development for the Principal, all instructional personnel and other staff, and the personnel functions outlined in Article I;
 3. maintenance and operation of the school building and installation of technology for educational or operational purposes;
 4. all aspects of the business administration of the Academy;
 5. all business, educational, and community partnering programs;
 6. all strategic planning;
 7. all fund raising and grant development programs and strategies;
 8. public relations programs, strategies and events;
 9. any other function necessary or expedient for the administration of the Academy, or as may be required under the law, the Contract, or by OCCS.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT - (Continued)

Contractor and the Board acknowledge that the school building is currently leased and that the Board Liaison will be responsible for compliance with the tenant's obligations thereunder, the expense of which shall be borne by the Board. Contractor shall identify to the Board Liaison those tenant obligations it performs on behalf of the Academy. The parties acknowledge that nothing contained herein shall affect the respective obligations of the landlord and tenant under the lease of the school building.

- F. **Subcontracts.** Contractor reserves the right to subcontract, with Academy Board approval, any and all aspects of all other services it agrees to provide to the Academy, including, but not limited to transportation and/or food service.
- G. **Place of Performance.** Contractor reserves the right to perform functions other than instruction, such as purchasing, professional development and administrative functions, off-site, unless prohibited by state or local law.
- H. **Materials Purchased.** All equipment, materials and supplies purchased by Contractor on behalf of the Academy shall be property of the Academy. If Contractor purchases equipment, material and supplies for the Academy, it shall comply with state law as if the Academy were making all such purchases directly.
- I. **Student Recruitment.** Contractor and the Board shall be jointly responsible for the recruitment of students, subject to the Board's direction on general recruitment and admission policies and the Contract. Application by or for students shall be voluntary, and shall be in writing. Students shall be selected in accordance with the procedures set forth in the Contract and in compliance with state law and other applicable law.
- J. **Due Process Hearings.** Contractor shall provide student due process hearings in conformity with the requirements of state and federal law regarding discipline, special education, confidentiality and access to record, consistent with the Academy's own obligations and policy.
- K. **Legal Requirements.** Contractor shall provide educational programs that meet federal, state, and local laws and regulations, and the requirements imposed under the law and the Contract, unless such requirements are or have been waived.
- L. **Rules and Procedures.** Contractor shall recommend reasonable rules, regulations, and procedures applicable to the Academy and is authorized and directed to enforce those rules, regulations and procedures adopted by the Academy Board.
- M. **School Year and School Day.** Contractor shall establish the calendar for the school year and the school day, subject to the requirements under law and as determined annually by the Board
- N. **Additional Grades and Student Population.** Contractor shall make recommendations to the Board concerning limiting, increasing, or decreasing the number of grades offered and the number of students served per grade or in total, within the limits provided for by the Contract. In the event the Board seeks to expand the Academy to a new grade level, the Board shall involve Contractor in such efforts as early as possible.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT - (Continued)

O. **Material Breach of Agreement.** Failure of Contractor to reasonably perform these functions, unless prevented from doing so by the Academy, its Board or circumstances beyond Contractor's control, shall be considered a material breach of this Agreement. For the year ended June 30, 2010, Global Educational Excellence Management Company incurred the following expenses on behalf of the Academy:

Salaries and Wages	\$ 282,451
Employee Benefits	35,754
Professional and Technical Services	125,233
Property Services	11,908
Travel Mileage/Meeting Expense	3,445
Communications	27,196
Utilities	18,952
Contracted Craft or Trade Services	1,283
Food and Related Supplies	31,822
Other Supplies	259,342
Interest	10,014
Dues and Fees	18,411
Other Direct Costs	21,209
Total	<u>\$ 847,020</u>

NOTE 10 - PURCHASED SERVICES

For the year ended June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries and Wages	\$ 282,451
Employee Benefits	85,547
Professional and Technical Services	125,233
Property Services	68,291
Travel Mileage/Meeting Expense	3,445
Communications	27,196
Utilities	18,952
Contracted Craft or Trade Services	1,283
Food and Related Supplies	31,822
Other Supplies	259,342
Interest	10,014
Dues and Fees	19,707
Other Direct Costs	21,209
Total	<u>\$ 954,492</u>

NOTE 11 - OPERATING LEASES – LESSEE DISCLOSURE

The Academy entered into an extended lease for the period August 1, 2007, through August 31, 2010, with Midwest Creative Investments L.L.C. to lease space to house the Academy. The Lease may be extended for fifteen additional one year terms. In fiscal year 2010, expense under the lease for the Academy totaled \$56,383 with rent of \$16,863 recognized as Payable to Midwest Creative Investments L.L.C. at June 30, 2010.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

NOTE 12 – CONTINGENCIES

A. Grants

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. For the fiscal year ended June 30, 2010, the Academy accrued an intergovernmental payable for \$20,000 related to federal community school start up grant monies received from the Ohio Department of Education (ODE) but not liquidated within the required time. These monies were subsequently returned to ODE.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For the fiscal year 2010, the review resulted in no change in funding.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Academy leases its building from Midwest Creative Investments, L.L.C. Mohamed Issa is a part owner of Midwest Creative Investments and President of Global Educational Excellence (the Management Company). The Academy has paid \$39,520 during fiscal year 2010 and has a remaining liability of \$16,863 to Midwest Creative Investments, L.L.C. for fiscal year 2010.

NOTE 14 – MANAGEMENT PLAN

The Academy had an operating loss of \$625,885 and deficit net assets of \$517,712 at June 30, 2010. Management intends to eliminate these deficits by increasing enrollment and improving operating efficiencies, in addition to paying down the Academy's \$527,827 Liability with Global Educational Excellence.

NOTE 15 - SUBSEQUENT EVENT

In August 2010, the Academy entered into a property lease with Central Academy of Toledo, L.L.C, for a school building facility at 2727 Kenwood Boulevard, Toledo, Ohio, with a five-year lease term commencing August 1, 2011 and terminating July 31, 2015. The base rent for the term is 13 percent of annual state foundation per pupil revenue received by the Academy, calculated on enrollment of no less than 75 students.

This lease entered into subsequent to year end is a related party transaction. Mohamad Issa, President of Global Educational Excellence (the Management Company), is a part owner of the Kenwood property lessee, Central Academy of Toledo, L.L.C.



Dave Yost • Auditor of State

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

Central Academy of Ohio
Lucas County
2727 Kenwood Boulevard
Toledo, OH 43606-3216

To the Board of Directors:

We have audited the basic financial statements of Central Academy of Ohio, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated July 13, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

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. We consider finding 2010-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated July 13, 2011.

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

We intend this report solely for the information and use of management, the Board of Directors, the Community School's sponsor and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 13, 2011

**CENTRAL ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Citation/Significant Deficiency

Article V, Section E of the Service Agreement between Central Academy and the management company, Global Education Excellence (GEE), states that if a contractor [GEE] incurs reimbursable expenses on behalf of the Academy and other public school academies which are incapable of precise allocation between such academies then the contractor [GEE] shall allocate such expenses among all such academies, including the Academy, on a pro rata basis based upon the number of students enrolled at such academies, or upon such other equitable basis as is acceptable to the parties

We noted the following conditions over management company expenditure allocations:

- The management company, GEE, allocated 50% of food service expenditures to Bridge Academy and 50% of expenditures to Central Academy. Food service expenditures are driven primarily by the number of students eating meals; therefore, the allocation of expenditures between Bridge and Central Academies should be calculated by the number of students eating meals from each Academy. Since the food service operations involve federal assistance this weakness could negatively impact the Academy in the future if subject to an A-133 Single Audit;
- For expenditures where allocation is based on the number of students is not appropriate, the Academy has not established a policy to dictate how these expenditures will be allocated;
- The name of the Academy on 16% of the invoices tested did not fully support the allocation between Central and Bridge Academies.
- 4% of the invoices tested were billed to Central Academy but had Bridge Academy's address;
- The Academy purchased Ipads totaling \$18,126 with the Public Schools Charter Grant (CFDA Number 84.282) for Central Academy students; however these were also used by Central and Bridge Academy's Board of Director's at their meetings;
- The Academy paid teachers for curriculum development outside of their normal course of duties for \$2,100. For one of the teachers paid, the invoice did not document what curriculum services were provided. In addition, there was no explanation as to why this particular teacher, an elementary school teacher for another Academy was developing curriculum for Central Academy, which serves middle school students;
- The Academy was charged \$750 for testing software, which was split unevenly between the management company's schools. The management company asserted the charges were based on the number of test sites, and Ohio Schools were on one site so the cost was split. Review of the invoice, provides no indication that the charge is based on the number of test sites. No further documentation was provided to support that charges are based upon the number of test sites; and,
- For 13% of tested expenditures allocated to the Academy by the management company, the object code (wages, benefits, purchased services, supplies, etc) did not appear appropriate in the footnote disclosure. The footnote disclosure was adjusted for these errors.

FINDING NUMBER 2010-001
(Continued)

Improper allocation of management company purchases on behalf of the Academy could lead to Central Academy being improperly billed for goods and services rendered. Failure to establish a policy has led to the Academy inconsistently allocating reimbursable purchases on behalf of the Academy. It could also lead to the Academy being charged for items that do not directly benefit the school. As a result, the Academy's financial statements could potentially misstate amounts due to the management company and the Management Agreement footnote disclosure required to disclose management company expenditures on behalf of the Academy. Improper allocation of purchases made with federal funds could result in grant noncompliance.

We recommend the management company, GEE, allocate food service expenditures based on the number of students eating meals from Central Academy. The Academy should consult in writing with the Ohio Department of Education regarding the appropriateness of their current allocation method. We also recommend the Academy establish a policy that outlines how purchases bought by the management company will be allocated, if not by number of students, to ensure it is only charged for goods or services for which it receives direct benefit. Further, each invoice supporting management company expenditures on behalf of the Academy should list Central Academy as the customer and be shipped to Central Academy's address. The Academy should also establish policies and procedures to ensure that expenditures are properly classified.

FINDING NUMBER 2010-002

Material Weakness - GAAP Compilation

The Academy should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Academy's financial statements and related disclosures. Errors were identified in calculating and posting journal entries to the financial statements during the GAAP conversion process, resulting in audit adjustments and unadjusted differences to the financial statements including the notes to the financial statement and, where applicable, the Academy's accounting records. Revisions were also made to the management's discussion and analysis. The deficiencies resulted in the following:

- Immaterial misclassification of state lunch monies (\$1,004), amounts due from the management company (\$3,882); and prepaid STRS and SERS (\$5,198);
- Computation errors resulting in misstatement of management fee payable (\$963);
- Reclassification of cafeteria receipts (\$39,716) on the cash flow statement as noncapital financing activities;
- Failure to update the management's discussion and analysis and note disclosure amounts from the prior year;
- Revisions required of the cash, intergovernmental receivable, purchased services and contingency note disclosures;
- Subsequent event note disclosure was required to be added;
- Computation errors resulting in a \$39,718 misstatement on the *Reconciliation of Operating Loss to Net Cash Used for Operating Activities*; and,
- Unsupported amount totaling \$10,596 was used to balance the reconciliation were removed from the *Reconciliation of Operating Loss to Net Cash Used for Operating Activities*.

FINDING NUMBER 2010-002
(Continued)

The failure to record accurate financial activity on the financial statements resulted in material misstatements and inaccurate financial reporting. These errors required additional audit time to correct.

We recommend due care be exercised in the calculation and preparation of the financial statements. The Academy should implement review procedures to detect material financial statement errors. Further, we recommend the Treasurer carefully review *Governmental Accounting Standards Board Statement 9; Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* when preparing the Academy's Statement of Cash Flows.

Officials' Response:

Thank you for your recommendations in how to correct the issued finding in the report. We will take necessary steps to correct the issued finding. We will also establish a related internal policy that will clearly define how purchases are allocated.

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Dave Yost • Auditor of State

CENTRAL ACADEMY OF OHIO

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2011**