

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

FINAL AUDIT

FOR THE PERIOD JULY 1, 2010 TO FEBRUARY 18, 2011



Dave Yost • Auditor of State

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center of Central Ohio
2080 Citygate Drive
Columbus, Ohio 43219

To the Sponsor:

We have audited the accompanying basic financial statements of the Columbus Academy of Literacy and Mathematics, Franklin County, Ohio (the Academy), as of and for the period ended February 18, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Columbus Academy of Literacy and Mathematics, as of February 18, 2011, and the changes in its financial position and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 12, the Academy ceased operations on February 18, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2012, 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

April 3, 2012

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011
(UNAUDITED)**

Our discussion and analysis of Columbus Academy of Literacy and Mathematics (CALM) financial performance provides an overall review of CALM's financial activities for the fiscal year ended February 18, 2011. The intent of this discussion and analysis is to look at CALM's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the CALM's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for CALM for the fiscal year 2011 are as follows:

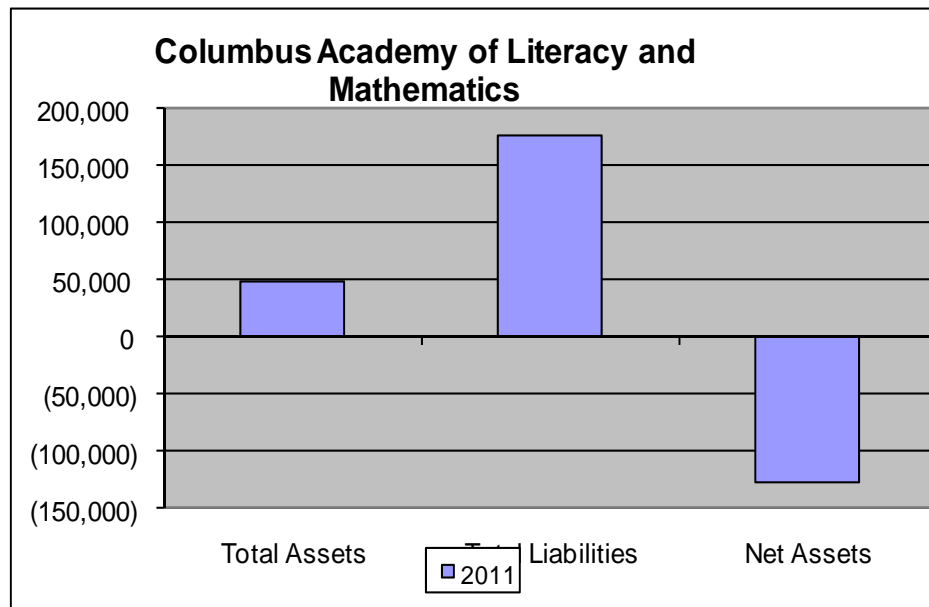
- In total, net assets were \$(127,395) for fiscal year 2011.
- Total assets were \$49,159 for fiscal year 2011.
- Total liabilities were \$176,554 for fiscal year 2011.

USING THIS ANNUAL REPORT

This report consists of three parts: the 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 a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect how CALM did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report CALM's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of CALM has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include CALM's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.



CALM uses enterprise presentation for all of its activities.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011
(UNAUDITED)**

Statement of Net Assets

The Statement of Net Assets answers the question of how CALM did financially during 2011. 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 resource 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.

Table 1 provides a summary of CALM's net assets for fiscal year 2011.

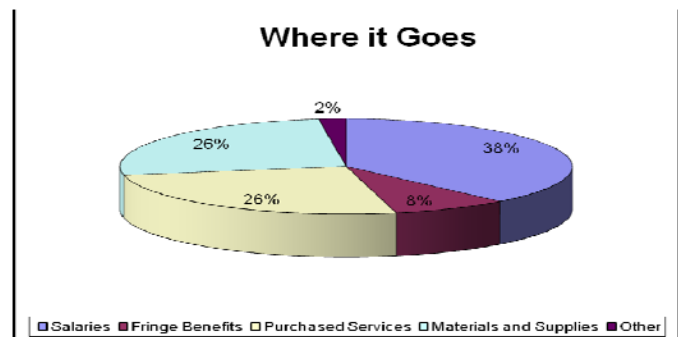
**(Table 1)
Statement of Net Assets**

| | 2011 |
|-------------------------|--------------|
| Assets | |
| Current Assets | \$ 49,159 |
| Liabilities | |
| Current Liabilities | \$ 176,554 |
| Net Assets | |
| Unrestricted Net Assets | \$ (127,395) |

Net assets were (\$127,395). This is due to the school's significant startup costs and enrollment not meeting projections.

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2011, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for CALM as a whole, the financial position of CALM has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.



**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011
(UNAUDITED)**

**Table 2
Changes in Net Assets**

| | 2011 |
|---|---------------------|
| <u>Operating Revenues</u> | |
| Foundation | \$ 449,448 |
| <u>Non-Operating Revenues</u> | |
| Grants | 323,633 |
| Other Non-Operating Revenue | <u>42,849</u> |
| Total Revenues | <u>815,930</u> |
| <u>Operating Expenses</u> | |
| Salaries | 348,440 |
| Fringe Benefits | 72,665 |
| Purchased Services | 268,004 |
| Materials and Supplies | 236,387 |
| Other | <u>17,829</u> |
| Total Expenses | <u>943,325</u> |
| Total Increase (Decrease) in Net Assets | <u>\$ (127,395)</u> |

Total revenues were less than total expenses. Enrollment was at 62 fulltime equivalent students which was well below the breakeven point for costs necessary to run a school. In February, the school's Treasurer declared the school insolvent. The Board and Sponsor subsequently decided to cease operations.

BUDGETING HIGHLIGHTS

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 Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between CALM and its Sponsor does not prescribe a budgetary process. CALM has developed a one year spending plan and a five-year forecast that is reviewed semi-annual by the Board of Directors. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education, annually.

CAPITAL ASSETS

CALM has \$ 0 invested in capital assets, net of accumulated depreciation.

DEBT OBLIGATIONS

CALM has no long term debt. However it does have current liabilities in the amount of \$176,554.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011
(UNAUDITED)**

OTHER INFORMATION

CALM closed its operations February 18, 2011 it had a final enrollment of 62 fulltime equivalent students. The low enrollment was just not sufficient for the school to meet its obligations.

CONTACTING CALM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of CALM's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Brian G. Adams, Fiscal Officer for the school at 65 E. Wilson Bridge Rd Suite 200, Worthington, OH 43085 or e-mail at badams@ocscld.com.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
FEBRUARY 18, 2011**

Assets:

| | |
|------------------------------|-----------|
| Cash and Cash Equivalents | \$ 23,468 |
| Intergovernmental Receivable | 25,691 |

| | |
|--------------|---------------|
| Total Assets | <u>49,159</u> |
|--------------|---------------|

Liabilities:

| | |
|---------------------------|---------|
| Accounts Payable | 129,924 |
| Accrued Wages & Benefits | 44,256 |
| Intergovernmental Payable | 2,374 |

| | |
|-------------------|----------------|
| Total Liabilities | <u>176,554</u> |
|-------------------|----------------|

Net Assets:

| | |
|------------------------|------------------|
| Unrestricted (Deficit) | <u>(127,395)</u> |
|------------------------|------------------|

| | |
|------------------|---------------------|
| Total Net Assets | <u>\$ (127,395)</u> |
|------------------|---------------------|

See accompanying notes to the basic financial statements

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011**

Operating Revenues:

| | |
|--------------------------|----------------|
| State Foundation | \$ 449,448 |
| Total Operating Revenues | <u>449,448</u> |

Operating Expenses:

| | |
|--------------------------|----------------|
| Salaries | 348,440 |
| Fringe Benefits | 72,665 |
| Purchased Services | 268,004 |
| Materials and Supplies | 236,387 |
| Other | <u>17,829</u> |
| Total Operating Expenses | <u>943,325</u> |

| | |
|----------------|------------------|
| Operating Loss | <u>(493,877)</u> |
|----------------|------------------|

Non-Operating Revenues:

| | |
|-----------------------------|----------------|
| State and Federal Grants | 323,633 |
| Other Non-Operating Revenue | <u>42,849</u> |
| Total Non-Operating Revenue | <u>366,482</u> |

| | |
|----------------------|-----------|
| Change in Net Assets | (127,395) |
|----------------------|-----------|

| | |
|------------------------------|----------|
| Net Assets Beginning of Year | <u>-</u> |
|------------------------------|----------|

| | |
|----------------------------------|----------------------------|
| Net Assets (Deficit) End of Year | <u><u>\$ (127,395)</u></u> |
|----------------------------------|----------------------------|

See accompanying notes to the basic financial statements

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

| | |
|---|-----------------|
| Cash Received from State of Ohio | \$ 449,448 |
| Cash Payments to Employees for Services | (304,184) |
| Cash Payments for Employee Benefits | (70,291) |
| Cash Payments for Goods and Services | (374,467) |
| Other Cash Payments | <u>(17,829)</u> |

Net Cash Used in Operating Activities (317,323)

Cash Flows from Noncapital Financing Activities:

| | |
|-----------------|---------------|
| Grants Received | 297,942 |
| Other | <u>42,849</u> |

Net Cash Provided by Noncapital Financing Activities 340,791

Net Increase in Cash and Cash Equivalents 23,468

Cash and Cash Equivalents Beginning of Year -

Cash and Cash Equivalents End of Year **\$ 23,468**

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

Operating Loss \$ (493,877)

Changes in assets and liabilities:

| | |
|---------------------------------------|--------------|
| Increase in Accounts Payable | 129,924 |
| Increase in Accrued Wages | 44,256 |
| Increase in Intergovernmental Payable | <u>2,374</u> |

Net Cash Provided by Operating Activities **\$ (317,323)**

See accompanying notes to the basic financial statements

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**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2010 THROUGH FEBRUARY 18, 2011**

1. DESCRIPTION OF THE REPORTING ENTITY

Columbus Academy of Literacy and Mathematics (CALM) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. CALM has applied for an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect CALM' tax-exempt status. CALM's objective is to use the Columbus community to form partnerships for student learning. Individualized programs are used to meet students' needs. Parents and students are included in all decision-making. CALM, 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. CALM may acquire facilities as needed and contract for any services necessary for its operation.

CALM was approved for operation under a contract with the Educational Service Center of Central Ohio (the Sponsor) for a period of one year commencing July 1, 2010. The Sponsor is responsible for evaluating the performance of CALM and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

CALM operates under the direction of a seven-member governing board. 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. The governing board controls CALM and its instructional/support facilities staffed by 6 non-certified and 11 certificated full time teaching personnel who provide services to students at CALM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CALM 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. CALM 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. Following are the more significant of CALM's accounting policies. However, CALM has elected not to apply FASB statements and interpretations issued after November 30, 1989.

A. Basis of Presentation

CALM uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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. Operating statements present increases and decreases 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 used for reporting purposes. Revenues are recognized when 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 Revised Code Chapter 5705, unless specifically provided by its sponsor in the sponsorship agreement. The contract between CALM and its Sponsor does not prescribe for an annual budget requirement. CALM does prepare a five-year forecast, which is to be updated semi-annually, and shared with the Governing Board, Ohio Department of Education and its Sponsor.

D. Cash and Cash Equivalents

All cash received by CALM is deposited in CALM's accounts and is reflected as Cash and Cash Equivalents on the Statement of Net Assets. The CALM had no investments during fiscal year 2011.

E. Prepaid Items

CALM records payments made to vendors for services that will benefit periods beyond June 30, 2011, 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 year in which services are consumed. There were no prepaid assets as of February 18, 2011.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. CALM's capitalization threshold is one thousand dollars.

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. Interest incurred during the construction of capital assets is also capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated life of five years. Improvements to capital assets are depreciated over the remaining useful lives.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

CALM currently participates in the state's foundation and special education programs. Revenues received from these programs are recognized as operating revenues (foundation and special education payments) in the accounting period in which they are earned and become measurable. Funding from these programs is listed as "State Foundation" on the Statement of Revenues, Expenses, and Changes in Net Assets.

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

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

Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Resources received prior to the period of use are deferred.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by CALM or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. CALM presently has no restricted net assets.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of CALM. Operating expenses are necessary costs incurred to provide the service that is the primary activity of CALM. All revenues and expenses not meeting this definition are reported as non-operating.

J. Estimates

The preparation of the 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.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

Deposits: The carrying value of the CALM' deposits totaled \$ 23,468, and the bank balance totaled \$108,223. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of February 18, 2011, all of CALM' bank balance was covered by Federal Deposit Insurance.

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

4. RECEIVABLE

At February 18, 2011, CALM had intergovernmental receivables in the amount of \$25,691. Intergovernmental Receivables consist of federal assistance earned at year end but not received at February 18, 2011.

5. CAPITAL ASSETS

At February 18, 2011, CALM had no capital assets

6. RISK MANAGEMENT

A. Insurance Coverage

CALM 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 year ended 2011, CALM contracted with the WRM America.:

| | |
|--|-------------|
| Commercial General Liability per occurrence | \$1,000,000 |
| Commercial General Liability aggregate | 2,000,000 |
| Umbrella Liability per occurrence | 3,000,000 |
| Umbrella Liability aggregate | 3,000,000 |
| Automobile Liability combined single limit | 1,000,000 |
| Commercial Property Liability – Personal Property (\$1,000 Deductible) | 50,000 |

B. Workers' Compensation

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

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

6. RISK MANAGEMENT (Continued)

C. Employee Medical, Dental and Vision Benefits

CALM has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full-time employees who work 40 or more hours per week.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - CALM contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. 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 contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the CALM is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending February 18, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds (the latest information available). CALM contributions to SERS at February 18, 2011 was \$11,251, respectively, which equaled the required contributions each year. Of which, 100% has been contributed.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (STRS)

Plan Description - The CALM contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is 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, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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'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 DB Plan and the DC 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 that 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.

Funding Policy - For the fiscal year ended February 18, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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.

CALM' required contribution for pension obligations to STRS for the fiscal year ended February 18, 2011 was \$34,390, respectively, of which 100% has been contributed.

The above is the latest available information.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of February 18, 2011, there were no members that elected Social Security.

8. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement Systems

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

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40; SERS' reimbursement for retirees was \$45.50.

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 2011, the actuarial required allocation is .76 percent CALM contributions for the year ended February 18, 2011, was \$611.

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, Medicare Advantage, 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' postemployment benefits through employer contributions.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement Systems (Continued)

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended February 18, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year February 18, 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. CALM contributions assigned to health care for the year ended February 18, 2011, was \$2,593, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, 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 the SERS' website www.ohsers.org under Employers/Audit Resources

B. State Teachers Retirement System

Plan Description - The CALM contributes to the cost sharing multiple employer defined benefit Health 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.

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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The CALM' contributions for health care for the fiscal year ended February 18, 2011, was \$2,645. 100% of which has been contributed as of February 18, 2011.

The above is the latest information available.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 18, 2011
(Continued)**

9. CONTINGENCIES

A. Grants

CALM 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of CALM at February 18, 2011.

B. Full-Time Equivalency Reviews

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by CALM. These reviews are conducted to ensure CALM is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. . A review has been conducted for the 2010-2011 school year with no exceptions noted.

10. PURCHASED SERVICES

For the period July 1, 2010 through February 18, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

| Description | Amount |
|-------------------------------------|------------------|
| Professional and Technical Services | \$171,341 |
| Property Services | 51,725 |
| Travel Mileage/Meeting Expense | 579 |
| Communications | 16,709 |
| Utilities | 0 |
| Contracted Trade Services | 27,430 |
| Pupil Transportation Services | <u>220</u> |
| Total Purchased Services | <u>\$268,004</u> |

11. SPONSOR

On July 1, 2010, a sponsorship agreement was executed between CALM and the Educational Service Center of Central Ohio for a one year period beginning July 1, 2010. Under this agreement, CALM pays the Sponsor "up to" 3% of State Aid (see Note 3 G.). CALM sponsor fee expense at February 18, 2011 totaled \$8,646.

12. SUBSEQUENT EVENTS/CEASED OPERATIONS

The Academy ceased operations on February 18, 2011. The sponsor has filed a petition with the court subsequent to ORC 3314 to seek guidance on disposing of the remaining assets of the Academy. At this time no Ruling has been made. The Academy has had net revenues of \$4,635 from February 19, 2011 through September 21, 2011. These net revenues are primarily from vendor credits for the return of purchased items.

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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

Educational Service Center of Central Ohio
2080 Citygate Drive
Columbus, Ohio 43219

To the Sponsor:

We have audited the basic financial statements of the Columbus Academy of Literacy and Mathematics, Franklin County, Ohio (the Academy) as of and for the period July 1, 2010 through February 18, 2011, and have issued our report thereon dated April 3, 2012, wherein we noted the Academy closed on February 18, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-001 and 2011-002 to be significant deficiencies. 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.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 3, 2012.

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 response 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 Academy's sponsor, the Educational Service Center of Central Ohio, and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 3, 2012

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD JULY 1, 2010 TO FEBRUARY 18, 2011**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2011-001

Board Minutes

– Material Noncompliance/Significant Deficiency

Ohio Rev. Code § 3314.03 (A)(11)(d) requires community schools to comply with sections 121.22 and 149.43 of the Ohio Revised Code.

Ohio Rev. Code Section 121.22(C) states the minutes of a regular or special meeting of any public body shall be promptly recorded and open to public inspection; the minutes need only reflect the general subject matter of discussions in executive sessions.

Ohio Rev. Code Section 149.43(B)(1) and (2) states that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection.

The Academy did not retain Board meeting minutes or agendas for meetings that occurred in the months of January and February 2011. Lack of a record of official proceedings leads to unsubstantiated, unclear, and possibly inaccurate official actions and approvals enacted by the Board of Directors, which may further lead to an inability to determine the classification, existence, completeness, and valuation of cash receipts and disbursements.

We recommend the Board of Directors document all pertinent information pertaining to official Board actions in the minutes. We further recommend the minutes be properly stored for public inspection.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-002

Accounting for Student Enrollment

– Material Noncompliance/Significant Deficiency

Ohio Rev. Code §3314.08 and Ohio Admin. Code 3301-29-01 require the governing authority of each community school to annually report the number of students enrolled in the community school. Community schools are funded on a per-pupil foundation allocation. The Academy is responsible for entering and maintaining student enrollment information in the Ohio Department of Education's (ODE) School Options Enrollment System (SOES) database, which is the reporting mechanism that drives student funding for community schools. Therefore, it is vital that community schools have policies and procedures in place which assist management in the ongoing tracking and reporting of student enrollment, as it directly affects the amount of State Foundation allocated to the Academy.

A critical component of accurate tracking and reporting is the continual process of documenting enrollment indicators, such as student application/enrollment, ongoing attendance, and withdrawal. Under the current funding model there are instances where the Academy and another school may report the same student as attending both schools; in those instances the SOES flags the student and there is an established protocol whereby the two schools reconcile by exchanging student documentation to determine where the student is actually attending.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD JULY 1, 2010 TO FEBRUARY 18, 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2011-002

**Accounting for Student Enrollment
– Material Noncompliance/Significant Deficiency (Continued)**

To document enrollment for purposes of reporting each student in SOES, the Academy obtains documentation from the students' prior schools, and maintains application/enrollment forms and withdrawal forms in a separate file for each student.

We examined a sample of student files and noted the following deficiencies in the Academy's documentation and maintenance of enrollment:

- One student file could not be located
- Two students whose grade cards did not represent each quarter enrolled
- Four students whose Free and Reduced Lunch Applications were not maintained
- Four students whose Withdrawal forms were not maintained
- One student whose prior school records were not maintained.

Deficiencies such as those above could affect the Academy's reported enrollment in the SOES. For example, the Academy's failure to properly document withdrawn students has a direct effect on the amount of State Foundation revenue allocated to the Academy; in those instances the Academy could be receiving funding for students who have already withdrawn.

Additionally, the lack of application/enrollment forms noted above could jeopardize the Academy's contention that a student attended the Academy during a given period of time, if performing the reconciliation process of flagged students discussed above. This would also directly affect the Academy's allocation of State Foundation revenue.

We recommend the Academy establish internal controls which facilitate periodic review and approval of student files. One possible control would be a checklist which could be incorporated into each student file which would help the Academy identify missing documentation or other deficiencies which ultimately affect SOES reporting and State Foundation revenue.

Officials' Response:

We did not receive a response from Officials to this finding.

**COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD JULY 1, 2010 TO FEBRUARY 18, 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2011-003

Community School Closeout Procedure Assurances – Material Non-Compliance

ORC 3314.015 (E) states that the Ohio Department of Education (ODE) shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

ODE has adopted the “Community School Closing Procedure Assurances”, which governs the reporting of closed community schools in regards to ORC 3314.015 (E). Included in the procedures are that the Academy notify ODE within 24 hours of close of the school, that all Federal grant reports be filed, all assets be separately tracked as to whether they were purchased with Federal grants or state monies, and that all funds be paid in accordance with the disposition process established in the assurances. In addition, the assurances should be submitted to the Office of Community Schools within 30 days of closeout.

The Academy notified ODE within 24 hours of closeout, but notified ODE of the suspension of the school on March 2, 2011, which is 11 business days after the school suspended operations on February 18, 2011. Additionally, the Academy did not separately track assets bought with federal grant monies, has yet to pay vendors all Academy funds according to the disposition process, and has yet to submit the Community School Closing Procedures Assurances document to the ODE Office of Community Schools.

Failure to fully complete and submit the “Community School Closeout Procedure Assurances” does not allow the Ohio Department of Education to ensure proper disposition of the Academy's assets.

The Academy and its Sponsor did not follow the above school closing procedures when it closed. We recommend the Academy and its Sponsor, the Educational Service Center of Central Ohio fully complete the assurance document and submit it to the Office of Community Schools.

Officials' Response:

The ODE Closeout Procedures Checklist has not been completed. In February 2011 the Treasurer declared the Academy insolvent; the related court case has not been resolved and the Sponsor is awaiting resolution of the case before making final disposition of the Academy's remaining assets.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Educational Service Center of Central Ohio
2080 Citygate Drive
Columbus, Ohio 43219

To the Sponsor:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the 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 community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Sponsor, solely to assist the Sponsor in evaluating whether –the Columbus Academy of Literacy and Mathematics, Franklin County, Ohio (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 Sponsor. 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 Academy's Board did not adopt an anti-harassment / bullying policy as of February 18, 2011.

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 management and Educational Service Center of Central Ohio and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

April 3, 2012

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Dave Yost • Auditor of State

COLUMBUS ACADEMY OF LITERACY AND MATHEMATICS (CALM)

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
MAY 10, 2012**