



Dave Yost • Auditor of State

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Independent Accountants' Report on Applying Agreed Upon Procedures.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Central Academy - Fremont
Sandusky County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Directors:

We have audited the accompanying basic financial statements of the North Central Academy - Fremont, Sandusky County, Ohio (the Academy), as of and for the year ended June 30, 2011, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Central Academy - Fremont, Sandusky County, Ohio, as of June 30, 2011, and changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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* 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 "Y" at the end.

Dave Yost
Auditor of State

January 20, 2012

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of North Central Academy - Fremont's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. 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 the financial statements to enhance their understanding of the Academy's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the Management's Discussion and Analysis. However, because this is the first fiscal year of financial reporting for the Academy, comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets were \$228,302 at June 30, 2011.
- The Academy had operating revenues of \$315,734, operating expenses of \$405,637 and non-operating revenues of \$318,205 during fiscal year 2011. The total change in net assets for the year was an increase of \$228,302.

Using these Basic Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. These statements are organized so the reader can understand the Academy's financial activities. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions to determine how well the Academy has performed financially through June 30, 2011. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The table on that follows provides a summary of the Academy's net assets. As this is the Academy's first year of operations, comparative information is not available.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Net Assets

	<u>2011</u>
<u>Assets</u>	
Current assets	\$ 217,379
Capital assets, net	<u>34,785</u>
 Total assets	 <u>252,164</u>
<u>Liabilities</u>	
Current liabilities	<u>23,862</u>
<u>Net Assets</u>	
Invested in capital assets	34,785
Restricted	153,209
Unrestricted	<u>40,308</u>
 Total net assets	 <u>\$ 228,302</u>

Over time, net assets can serve as a useful indicator of the Academy's financial position. At June 30, 2011, the Academy's net assets totaled \$228,302.

Current assets represent cash and intergovernmental receivables. Current liabilities represent accounts payable and intergovernmental payable.

The statement of revenues, expenses, and changes in net assets show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

The table below shows the changes in net assets for the fiscal year 2011.

Change in Net Assets

	2011
<u>Operating Revenues:</u>	
State foundation	\$ 272,831
Special education	29,774
Sales / charges for services	1,979
Other	11,150
Total operating revenue	315,734
<u>Operating Expenses:</u>	
Purchased services	336,230
Materials and supplies	40,773
Other	23,702
Depreciation	4,932
Total operating expenses	405,637
<u>Non-operating Revenues:</u>	
Federal and State grants	318,137
Interest income	68
Total non-operating revenues	318,205
Change in net assets	228,302
Net assets at end of period	\$ 228,302

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 47.73% of total operating and non-operating revenues during fiscal year 2011.

The Academy's Federal and State grants consisted of Public Charter School Grants, the Education Jobs grant, State EMIS, Title I, Title II-A, Title II-D, and IDEA Part B grants. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

Capital Assets

At June 30, 2011, the Academy had \$34,785 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 4 to the basic financial statements.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Current Financial Related Activities

The Academy has entered into a service contract for fiscal year 2011 with its Sponsor, the North Central Ohio Educational Service Center. By mutual agreement of the parties, the Academy officially opened in September 2010 as an at-risk, drop -out prevention and recovery school serving students in grades 6 -12. The Academy originally operated as a second location of the North Central Academy – Tiffin during fiscal year 2010, but separated in fiscal year 2011 at the direction of the Ohio Department of Education. Students who were attending North Central Academy at the Fremont location were then enrolled at the Academy beginning in fiscal year 2011.

Pursuant to the Sponsorship Agreement, the North Central Ohio Educational Service Center (the Sponsor) is the fiscal agent of the Academy and provides all personnel to the school under a purchased service contract. In addition, the Sponsor reserves the right to provide such additional local resources as are necessary to reasonably ensure the operational viability of the Academy, including but not limited to: staff, equipment, instructional materials, curriculum, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

The primary challenge facing the Academy is the uncertainty of future State funding. There will be a reduction in the per pupil State foundation payment beginning in fiscal year 2012 as the State Fiscal Stabilization Fund ends without being replaced. The Academy was the recipient of a two year Public Charter School Program grant which provided needed funds for the start up costs of the new school. After receiving approximately one half of the total grant award, we have been informed that this grant will no longer be funded in fiscal year 2012. This combined with the fluctuation of the community school funding mechanism which is tied to daily attendance records of our "at-risk" students make it difficult to meet the needs of our school. It is the intent of the Academy to apply for State and Federal funds that are made available to finance its operations.

Contacting the North Central Academy - Fremont's Financial Management

This financial report is designed to provide a general overview of the North Central Academy - Fremont's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tina Peyton, Treasurer, North Central Academy - Fremont, 928 W. Market St., Suite A, Tiffin, Ohio 44883-2529.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:

Current assets:

Equity in pooled cash	\$42,270
Receivables:	
Intergovernmental	<u>175,109</u>
Total current assets	<u>217,379</u>

Noncurrent assets:

Depreciable capital assets, net	<u>34,785</u>
Total assets	<u><u>\$252,164</u></u>

Liabilities:

Current liabilities:

Accounts payable	\$17,251
Intergovernmental payable	<u>6,611</u>
Total liabilities	<u>23,862</u>

Net assets:

Invested in capital assets	34,785
Restricted for:	
Public school support	453
Federally funded programs	152,569
Other purposes	187
Unrestricted	<u>40,308</u>
Total net assets	<u><u>\$228,302</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenues:	
Foundation revenue	\$272,831
Special education	29,774
Sales/charges for services	1,979
Other	11,150
Total operating revenues	<u>315,734</u>
Operating expenses:	
Purchased services	336,230
Materials and supplies	40,773
Other	23,702
Depreciation	4,932
Total operating expenses	<u>405,637</u>
Operating loss	<u>(89,903)</u>
Non-operating revenues:	
Federal and State grants	318,137
Interest revenue	68
Total non-operating revenues	<u>318,205</u>
Change in net assets	228,302
Net assets at end of year	<u><u>\$228,302</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from State foundation	\$ 302,605
Cash received from sales/charges for services	1,979
Cash received from other operations	11,150
Cash payments for contractual services	(324,188)
Cash payments for materials and supplies	(28,953)
Cash payments for other expenses	<u>(23,702)</u>
Net cash used in operating activities	<u>(61,109)</u>
 Cash flows from noncapital financing activities:	
Federal and State grants	<u>143,028</u>
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(39,717)</u>
 Cash flows from investing activities:	
Interest received	<u>68</u>
 Net increase in cash and cash cash equivalents	 42,270
 Cash and cash equivalents at end of the year	 <u><u>\$ 42,270</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (89,903)
Adjustments:	
Depreciation	4,932
Changes in assets and liabilities:	
Increase in accounts payable	17,251
Increase in intergovernmental payable	6,611
Net cash used in operating activities	<u><u>\$ (61,109)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy - Fremont (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of "at-risk" students aged 11-21 in grades 6-12. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution on May 14, 2010 with North Central Ohio Educational Service Center (the "Sponsor") for a period of two years commencing on July 1, 2010.

Pursuant to the Sponsor's authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor's assistant treasurer to serve as the Academy's fiscal officer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for fiscal year 2011 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

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

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

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 statement of net assets. The statements of revenues, expenses and changes in net assets present 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 basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

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

E. Cash

Cash held by the Academy is reflected as "equity in pooled cash" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2011, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

F. Capital Assets

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

All capital assets are depreciated. Depreciation is computed using the straight-line method. Furniture, fixtures and equipment is depreciated over five years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for public school support, federally funded programs and other purposes.

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

H. Operating Revenues and Expenses

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

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

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

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the education jobs grant, the Federal IDEA Part B grant, the Federal Title I grant, the Improving Teacher Quality Title II-A grant, the Title II-D Technology Grant, the public charter school grant and the EMIS grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2011 was \$318,137.

J. Estimates

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

K. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2011. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - DEPOSITS

At June 30, 2011, the carrying amount of the Academy's deposits was \$42,270. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the Academy's entire bank balance of \$47,124 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2011:

	Balance 09/07/10	Additions	Deductions	Balance 06/30/11
Capital assets, being depreciated:				
Furniture, fixtures and equipment		\$39,717		\$39,717
Less: accumulated depreciation		(4,932)		(4,932)
Capital assets, net		\$34,785		\$34,785

NOTE 5 - RECEIVABLES

The Academy had the following intergovernmental receivables at June 30, 2011:

Education jobs	\$17,968
Title I, disadvantaged children	991
Improving teacher quality	195
Miscellaneous federal grants	155,955
Total	\$175,109

The intergovernmental receivables are expected to be collected in the subsequent year.

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	\$325,817
Property services	2,380
Travel and meetings	7,614
Communications	419
Total	\$336,230

NOTE 7 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2011, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer and Director.

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 8 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation 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. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2012 as a result of the reviews which have yet to be completed.

NOTE 9 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations from August 1, 2010 through July 31, 2011. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$354,007 to the Sponsor for educational, fiscal and administrative services for fiscal year 2011.

NOTE 10 - START UP PERIOD

The Academy began operations on September 7, 2010. The Academy did not receive any revenues or incur any expenditures during the start up period of May 14, 2010 through September 7, 2010.



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*

North Central Academy - Fremont
Sandusky County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Directors:

We have audited the financial statements of the North Central Academy – Fremont, Sandusky County, Ohio (the Academy), as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 20, 2012. 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.

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 2011-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Academy's response to the finding 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 audit committee, 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

January 20, 2012

**NORTH CENTRAL ACADEMY - FREMONT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2011-001

Material Weakness – Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments.

During fiscal year 2011, accounts payable were recorded for services which were not received prior to June 30, 2011 (\$31,000) and the Academy received services during fiscal year 2011 which were paid during fiscal year 2012 and not included in the accounts payable at June 30, 2011 (\$2,102).

The accompanying financial statements and, where applicable, the Academy accounting records have been adjusted to correct these errors.

To ensure the Academy's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the annual report by the audit committee to identify and correct errors and omissions.

Officials' Response:

The Academy acknowledges errors were made and will properly post these transactions in the future.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

North Central Academy – Fremont
Sandusky County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Directors:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the North Central Academy – Fremont, Sandusky 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 procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

The Board amended its policy on December 13, 2011. We read the amended policy, noting it includes all the requirements listed in Ohio Rev. Code 3313.666.

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

This report is intended solely for the information and use of the Board of Directors and the Community School's sponsor 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

January 20, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

NORTH CENTRAL ACADEMY-FREMONT

SANDUSKY 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
FEBRUARY 14, 2012**