



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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PAR EXCELLENCE ACADEMY
LICKING COUNTY
(A Component Unit of Newark City School District)

REGULAR AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Board of Trustees
Par Excellence Academy
96 Malcolm Street
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Par Excellence Academy, Licking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Par Excellence Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 20, 2012

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PAR EXCELLENCE ACADEMY
YEAR ENDED JUNE 30, 2011

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Par Excellence Academy
Licking County, Ohio
96 Maholm Street
Newark, Ohio 43055

We have audited the accompanying financial statements of the business-type activities of the Par Excellence Academy, Licking County, Ohio, (the Academy), a component unit of the Newark City School District, as of and for the year ended June 30, 2011. 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 obtain reasonable assurance about 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 that 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 business-type activities of Par Excellence Academy, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do 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. The 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.

As described in Note 3 to the financial statements, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*.



Balestra, Harr & Scherer, CPAs, Inc.
November 23, 2011

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

The management's discussion and analysis of the Par Excellence Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the 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 financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets were \$460,071 at June 30, 2011.
- The Academy had operating revenues of \$816,542, operating expenses of \$986,829 and non-operating revenues of \$267,724 for fiscal year 2011. Total change in net assets for the fiscal year was an increase of \$97,437.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that 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

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and statement of revenues, expenses and changes in net assets answer this question. 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 is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

The table below provides a summary of the Academy's net assets for fiscal year 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Net Assets		
<u>Assets</u>		
Current assets	\$ 538,414	\$ 430,078
Capital assets, net	<u>35,539</u>	<u>47,634</u>
Total assets	<u>573,953</u>	<u>477,712</u>
<u>Liabilities</u>		
Current liabilities	113,882	112,048
Non-current liabilities	<u>-</u>	<u>3,030</u>
Total liabilities	<u>113,882</u>	<u>115,078</u>
<u>Net Assets</u>		
Invested in capital assets	35,539	47,634
Restricted	59,300	46,475
Unrestricted	<u>365,232</u>	<u>268,525</u>
Total net assets	<u>\$ 460,071</u>	<u>\$ 362,634</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled \$460,071.

At year-end, capital assets represented 6.19% of total assets. Capital assets consisted of computers and other equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

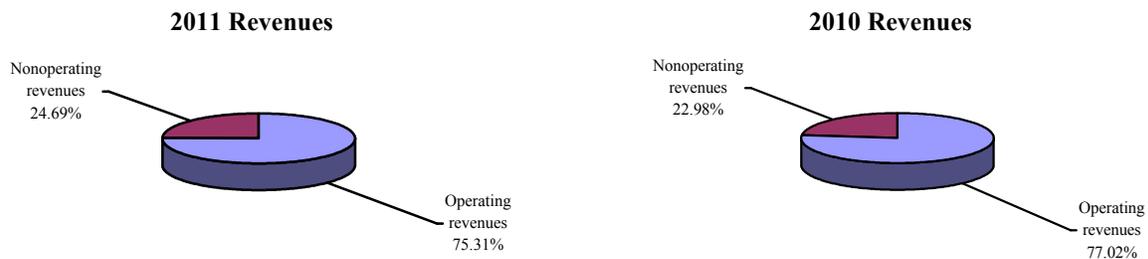
The table below shows the changes in net assets for fiscal year 2011 and 2010.

Change in Net Assets

	<u>2011</u>	<u>2010</u>
<u>Operating Revenues:</u>		
State foundation	\$ 816,542	\$ 783,009
Total operating revenue	<u>816,542</u>	<u>783,009</u>
<u>Operating Expenses:</u>		
Personal services	719,042	679,684
Purchased services	189,410	163,154
Materials and supplies	46,552	39,184
Other	9,725	3,973
Depreciation	<u>22,100</u>	<u>22,458</u>
Total operating expenses	<u>986,829</u>	<u>908,453</u>
<u>Non-operating Revenues:</u>		
Grants and subsidies	249,959	226,357
Miscellaneous	14,265	1,407
Rental income	-	400
Contributions and donations	<u>3,500</u>	<u>5,510</u>
Total non-operating revenues	<u>267,724</u>	<u>233,674</u>
Change in net assets	97,437	108,230
Net assets at beginning of year	<u>362,634</u>	<u>254,404</u>
Net assets at end of year	<u>\$ 460,071</u>	<u>\$ 362,634</u>

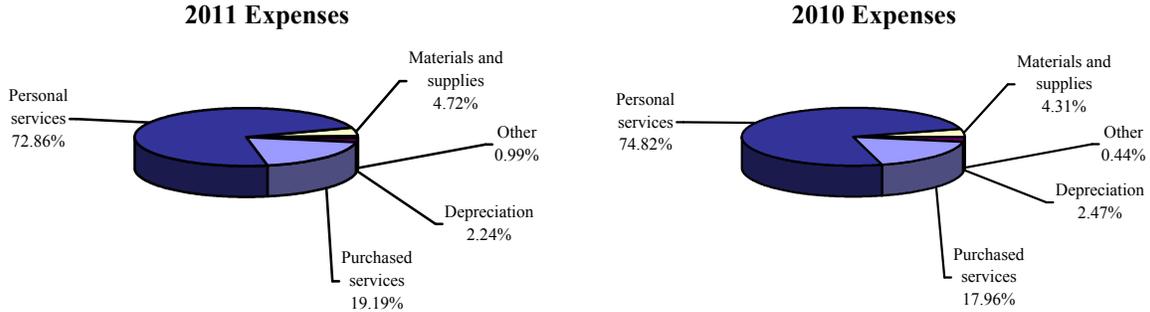
The Academy's foundation revenue increased \$33,533, or 4.3%, from fiscal year 2010. Operating expenses increased \$78,376, or 8.6%, primarily due to increases in the areas of personal services and purchased services. Non-operating revenues increased \$34,050, or 14.6%, due to an increase in Federal grant funding during fiscal year 2011.

The charts below illustrate the revenues and expenses for the Academy during fiscal 2011 and 2010.



**PAR EXCELLENCE ACADEMY
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LICKING COUNTY, OHIO**

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



Capital Assets

At June 30, 2011, the Academy had \$35,539 (net of accumulated depreciation) invested in computers and equipment. See Note 7 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2011, the Academy had no outstanding debt at year-end.

Current Financial Related Activities

The Academy is sponsored by Newark City School District. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Hueston Lauderman, Treasurer, Par Excellence Academy, 96 Maholm Street, Newark, Ohio 43055.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:	
Current assets:	
Cash and cash equivalents	\$ 444,939
Deposit on building	15,000
Receivables:	
Accounts	15
Intergovernmental.	78,460
	<hr/>
Total current assets	538,414
Noncurrent assets:	
Depreciable capital assets, net	35,539
Total non-current assets.	35,539
	<hr/>
Total assets.	573,953
	<hr/>
Liabilities:	
Current liabilities:	
Accounts payable.	12,903
Accrued wages and benefits	72,959
Compensated absences.	6,574
Pension obligation payable.	18,788
Intergovernmental payable	2,658
	<hr/>
Total liabilities	113,882
	<hr/>
Net assets:	
Invested in capital assets	35,539
Restricted for:	
State funded programs.	548
Federally funded programs	58,135
Other purposes.	617
Unrestricted.	365,232
	<hr/>
Total net assets	\$ 460,071
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

Operating revenues:	
State Foundation	\$ 816,542
Total operating revenues	<u>816,542</u>
Operating expenses:	
Personal services	719,042
Purchased services.	189,410
Materials and supplies	46,552
Other.	9,725
Depreciation	22,100
Total operating expenses.	<u>986,829</u>
Operating loss	<u>(170,287)</u>
Non-operating revenues:	
Grants and subsidies.	249,959
Miscellaneous	14,265
Contributions and donations	3,500
Total non-operating revenues	<u>267,724</u>
Change in net assets.	97,437
Net assets at beginning of year	<u>362,634</u>
Net assets at end of year.	<u><u>\$ 460,071</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

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

Cash flows from operating activities:	
Cash received from state foundation	\$ 816,542
Cash payments for personal services	(720,452)
Cash payments for purchased services	(190,126)
Cash payments for materials and supplies	(46,597)
Cash payments for other expenses	(9,346)
	(149,979)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	212,926
Cash received contributions and donations	3,500
Cash received from miscellaneous receipts	14,268
	230,694
Cash flows from capital and related financing activities:	
Deposit on building	(15,000)
Acquisition of capital assets	(4,402)
	(19,402)
Net increase in cash and cash cash equivalents	61,313
Cash and cash equivalents at beginning of year	383,626
Cash and cash equivalents at end of year	\$ 444,939
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (170,287)
Adjustments:	
Depreciation	22,100
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	5,007
Increase in accounts payable.	1,021
Increase in accrued wages and benefits	1,674
Decrease in intergovernmental payable	(1,455)
Decrease in compensated absences payable	(12,852)
Increase in pension obligation payable	4,813
	(149,979)
Net cash used in operating activities	\$ (149,979)

Non-cash transactions:

The Academy purchased \$0 and \$5,603 in capital assets on account at June 30, 2010 and June 30, 2011, respectively.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Par Excellence Academy, Licking County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide an Academy exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. The Academy's objective is to deliver a unique opportunity for students who show a strong interest or talent in the visual arts which can be delivered to students in grades Kindergarten through 3rd grade. It is to be operated in cooperation with the public schools to provide an appreciation of the visual arts through studies of its history, theory and design. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Newark City School District (the "Sponsor") for a period of one academic year for the period of July 1, 2010 through June 30, 2011. This contract was extended for three more academic years for the period July 1, 2011 through June 30, 2014. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy is considered a component unit of the Newark City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The Academy operates under the direction of a self-appointed nine-member Board of Trustees. The 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 Board controls the Academy's one instructional/support facility staffed by 9 non-certified staff members and 12 certificated full time teaching personnel who provide services to 135 students.

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 applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided this guidance does not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply this FASB guidance. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy uses enterprise accounting to report on its financial activities. 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 and services.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

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

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

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 (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11) (d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

D. Cash

All monies received by the Academy are deposited in a demand deposit account.

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Amounts restricted for other purposes includes amounts restricted for school support and other local sources.

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

F. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, the EMIS grant, the K12 Connectivity grant, the IDEA B grant, the Education Stabilization grant, the Title IID grant, the Nutrition Education and Training Program grant, the Title I grant, the Drug Free School grant, and the Title IIA grant. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2011 school year excluding federal and State grants totaled \$816,542.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

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

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. State and federal grants revenue for the fiscal year 2011 received was \$249,959.

G. Estimates

The preparation of 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.

H. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. The Academy does not have a policy regarding the payment of unused sick leave for termination (severance) benefits; therefore, a liability is not accrued for unused sick leave at fiscal year-end. The Academy does have a policy that allows employees to carry over or be compensated for unused vacation leave at fiscal year-end; therefore a liability has been recorded for unused vacation leave at fiscal year-end.

See Note 8 for the Academy's liability for compensated absences at fiscal year-end and Note 11 for further detail on the compensated absences policies.

I. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$50. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five years.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the Academy has implemented GASB Statement No. 59, "Financial Instruments Omnibus". GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2011, the carrying amount of the Academy's deposits was \$444,639 and the bank balance was \$452,519. In addition, the Academy had \$300 in cash on hand. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011 consisted accounts (billings for user charged services and student fees) and intergovernmental grants. A summary of the principal items of receivables reported on the statement of net assets follows:

Accounts	\$ 15
Intergovernmental	<u>78,460</u>
Total	<u>\$ 78,475</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 6 - PURCHASED SERVICES

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

Professional services	\$ 69,270
Property rental and services	39,103
Travel, mileage and meetings	1,996
Communications	36,515
Utilities	18,161
Other purchased services	<u>24,365</u>
Total purchased services	<u>\$ 189,410</u>

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2011</u>
Furniture and equipment	\$ 116,255	\$ 10,005	\$ -	\$ 126,260
Less: accumulated depreciation	<u>(68,621)</u>	<u>(22,100)</u>	<u>-</u>	<u>(90,721)</u>
Capital assets, net	<u>\$ 47,634</u>	<u>\$ (12,095)</u>	<u>\$ -</u>	<u>\$ 35,539</u>

NOTE 8 - LONG-TERM OBLIGATIONS

The Academy's long-term obligations during fiscal year 2011 were as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>	Due Within <u>One Year</u>
Compensated absences	\$ 19,426	\$ 3,544	\$ (16,396)	\$ 6,574	\$ 6,574
Total long-term liabilities	<u>\$ 19,426</u>	<u>\$ 3,544</u>	<u>\$ (16,396)</u>	<u>\$ 6,574</u>	<u>\$ 6,574</u>

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Media/Financial Reports*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,982, \$17,717 and \$11,281, respectively; 67.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org under *Publications*.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$58,616, \$54,681 and \$47,689, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$9,390 made by the Academy and \$6,707 made by the plan members.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit 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 B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Media/Financial Reports*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned.

Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,048, \$2,719 and \$6,750, respectively; 67.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,222, \$1,054 and \$931, respectively; 67.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org under *Publications* 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 Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,509, \$4,206 and \$3,668, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

NOTE 11 - COMPENSATED ABSENCES

Employees accumulate sick leave at a rate of 5 days per year. Unused sick leave may accumulate up to 30 days. Some employees accumulate vacation leave at a rate of up to 14 days per year. Unused vacation leave may accumulate up to a maximum of 20 days. A liability for unused vacation leave at June 30 is recorded on the statement of net assets.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy maintains insurance coverage for rental/theft, general liability, contents liability.

The Academy has coverage for employee dishonesty, forgery and alteration coverage and computer equipment.

The Academy owns no real estate, but leases facilities located at 96 Maholm Street, Newark, Ohio 43055.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction from the prior year.

B. Workers' Compensation

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

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 13 - CONTINGENCIES

A. Grants

The Academy received financial assistance from a State agency 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. State Foundation Funding

The Ohio Department of Education (ODE) 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 was reviewed during fiscal year 2011. The Academy anticipates no adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

C. Litigation

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

NOTE 14 - SERVICE AGREEMENT

The Academy entered into a one-year contract on July 20, 2010 with Licking Area Computer Association (LACA) for certain computer, data processing and application services for the fiscal year ended June 30, 2011. Under this contract, the following terms were agreed upon:

1. LACA shall provide fiscal administration services, including access to financial software through OECN, electronic filing of data, user training, software upgrades, disaster recovery, EMIS compliance procedures and providing staff and resources to support the business process.
2. LACA shall provide student administration systems, including access to the Student Information System (SIS), data archival and retrieval support, help desk support, and preprinted forms need for grade cards, schedule cards, grade scans and transcripts.
3. LACA shall provide EMIS system and services, including access to State EMIS software, interface to SIS and OECN financial software, creation and use of custom user defined reports, and district report card assistance.
4. LACA shall provide library services, including access to INFOhio Library Automation software, INFOhio electronic resource support, and INFOhio compliance procedures.

**PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO**

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

NOTE 14 - SERVICE AGREEMENT – (Continued)

5. LACA shall provide video distance learning services, including coordinating, developing and delivering local professional development activities, daily management and troubleshooting of video network, technical training, and troubleshooting and coordination of specific video related hardware.
6. The fees for the services provided are based on a base fee plus a fee per student which vary per type of service. The total fee is \$64.24 per student.

For fiscal year 2011, \$4,918 was paid to LACA for services related to the service agreement. To obtain LACA's audited June 30, 2011 financial statements, please contact Mr. Cory Thompson, Treasurer/CFO, 150 Price Road, Newark, Ohio 43055.

NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE

On May 13, 2008, the Academy entered into an operating lease with the Sponsor for the use of the former Maholm Elementary School. The lease began on August 1, 2008 and will continue through July 31, 2011 with annual rent payments of \$18,000, payable in monthly installments of \$1,500.

NOTE 16 - SIGNIFICANT SUBSEQUENT EVENT

On September 2, 2011, the Academy purchased the Maholm Elementary building (96 Maholm Street, Newark, Ohio) that it had previously leased. The purchase price for the building was \$150,000. The Academy made a \$15,000 down payment on the building on June 28, 2011 which has been recorded as "deposit on building" on the financial statements. To finance the building purchase, the Academy entered into a loan agreement with Park National Bank in the amount of \$137,000. The loan bears an interest rate of 5.75 percent and matures September 2, 2016.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Par Excellence Academy
Licking County
96 Maholm Street
Newark, Ohio 43055

We have audited the financial statements of the business-type activities of Par Excellence Academy, Licking County, Ohio, a component unit of the Newark City School District, (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011 wherein we noted that the Academy implemented GASB Statement No. 59. 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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.

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*.

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



Balestra, Harr & Scherer, CPAs, Inc.
November 23, 2011



Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report on Applying Agreed Upon Procedures

Par Excellence Academy
Licking County
96 Maholm Street
Newark, Ohio 43055

To the Board of Education:

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 Par Excellence Academy (the Academy) has updated its 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.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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 and the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
November 23, 2011



Dave Yost • Auditor of State

PAR EXCELLENCE ACADEMY

LICKING 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 2, 2012**