



Dave Yost • Auditor of State

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

North Central Academy – Tiffin
Seneca 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 – Tiffin, Seneca County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of North Central Academy - Tiffin, Seneca County, Ohio, as of June 30, 2012, and the 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 14, 2013, 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

January 14, 2013

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management's discussion and analysis of North Central Academy - Tiffin's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. 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.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets were \$5,011 at June 30, 2012.
- The Academy had operating revenues of \$184,082, operating expenses of \$349,480, non-operating revenues of \$74,203 and a loss on disposal of capital assets of \$111,809. The total change in net assets for the fiscal year was a decrease of \$203,004.

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, 2012. 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.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The table below provides a summary of the Academy's net assets for fiscal years 2012 and 2011.

Net Assets		
	2012	2011
<u>Assets</u>		
Current assets	\$ 36,626	\$ 144,106
Capital assets, net		108,678
Total assets	36,626	252,784
<u>Liabilities</u>		
Current liabilities	31,615	44,769
<u>Net Assets</u>		
Invested in capital assets		108,678
Restricted	83	23,250
Unrestricted	4,928	76,087
Total net assets	\$ 5,011	\$ 208,015

Over time, net assets can serve as a useful indicator of the Academy's financial position. At June 30, 2012, the Academy's net assets totaled \$5,011.

Current assets represent cash, intergovernmental receivables and prepayments. Current liabilities represent accounts 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 - TIFFIN
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The table below shows the changes in net assets for fiscal years 2012 and 2011.

Change in Net Assets		
	2012	2011
<u>Operating Revenues:</u>		
State foundation	\$ 158,301	\$ 300,226
Special education	22,793	37,575
Sales / charges for services	2,019	1,212
Other	969	11,912
Total operating revenue	184,082	350,925
<u>Operating Expenses:</u>		
Purchased services	234,384	390,840
Materials and supplies	46,796	78,386
Other	34,804	33,577
Depreciation	33,496	26,629
Total operating expenses	349,480	529,432
Operating loss	(165,398)	(178,507)
<u>Non-operating Revenues (expenses):</u>		
Federal and State grants	73,765	273,993
Interest income	438	332
Loss on disposal of capital assets	(111,809)	
Total non-operating revenues (expenses)	(37,606)	274,325
Change in net assets	(203,004)	95,818
Net assets at beginning of period	208,015	112,197
Net assets at end of period	\$ 5,011	\$ 208,015

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 70.11% of total operating and non-operating revenues during fiscal year 2012. Purchased services comprise 67.06% of operating expenses.

The decrease in revenues relating to state foundation and federal and state grants is primarily due to the reduction in the number of students as a result of the transfer of students to North Central Academy – Fremont (the “Fremont Academy”). In fiscal year 2012, 42% of the Academy’s students were transferred to the Fremont Academy and created a decrease in student enrollment which funding is allocated. This reduction in student count affected the foundation, title funds, and special education funding.

The purchased services decreased \$156,456 from fiscal year 2011. This decrease can also be attributed to the transfer of 42% of the Academy’s students to the Fremont Academy. The Academy operates using

purchased services contracted with North Central Ohio Educational Service Center (the “ESC”). When the students were transferred to Fremont Academy, many of the expenses, including personnel, was then spent using the funding of Fremont Academy.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The Academy's Federal and State grants consisted of American Recovery and Reinvestment Act (ARRA) grants, the Education Jobs grant, and the Race to the Top grant, Title I, 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, 2012, the Academy had transferred all of its assets to the Fremont Academy. This was a direct correlation to the transfer of students as many of the assets were computers and desks which were provided to these students as a learning tool. Essentially just as students were transferred to the Fremont Academy, so were the assets used to provide for them. For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. The 2011-2012 school year is the Academy's third year of operations as an at-risk school serving students in grades 6 -12. The most significant change in fiscal year 2012 was the implementation of our plan to consolidate with North Central Academy-Fremont (NCA-Fremont) by the start of fiscal year 2013. Since the Academy and NCA-Fremont both moved in June 2011 and are now housed in the same building, it seemed prudent to consolidate the two separate schools. By combining the enrollment of both schools under the NCA-Fremont IRN 012054 beginning in fiscal year 2013, it is our belief that this change will enable our school to better meet the needs of the students academically, socially, and emotionally while streamlining services. The Academy IRN 011511 has been transferred to a new K-12 school also sponsored by the North Central Ohio Educational Service Center in Harrison County, Ohio called Lakeland Academy. As a result of this change, enrollment decreased from a total of 52 students in fiscal year 2011, to a total of 32 students at the 2012 fiscal year end. Revenue and expenditures decreased in conjunction with the shift of approximately 20 students from the Academy to NCA-Fremont in fiscal year 2012.

The primary challenge today is the uncertainty of future funding. The Public Charter School Program two year start-up grant concluded in fiscal year 2011. The Education Jobs fund provided one-time support for a .5 FTE licensed teacher in 2011 which was no longer available in fiscal year 2012. This combined with the fluctuation of the community school funding method which bases monthly foundation payments on daily enrollment records of our "at-risk" students make it a constant challenge to meet the needs of our school.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC is the fiscal agent of the School 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 School, including but not limited to: staff, equipment, instructional materials, curriculum, transportation, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central 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 Tina Peyton, Treasurer, North Central Academy, 928 W. Market St., Suite A, Tiffin, Ohio 44883-2529.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:

Current assets:

Equity in pooled cash	\$	19,295
Receivables:		
Intergovernmental.		1,765
Prepayments		15,566
		15,566
Total assets.	\$	36,626

Liabilities:

Current liabilities:

Accounts payable.	\$	3,537
Intergovernmental payable		28,078
		28,078
Total liabilities		31,615

Net assets:

Restricted for:

Restricted for public school support		55
Restricted for federal programs		28
Unrestricted.		4,928
		4,928
Total net assets	\$	5,011

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Foundation revenue	\$ 158,301
Special education	22,793
Sales/charges for services.	2,019
Other	969
Total operating revenues	<u>184,082</u>
 Operating expenses:	
Purchased services.	234,384
Materials and supplies	46,796
Other.	34,804
Depreciation	33,496
Total operating expenses.	<u>349,480</u>
 Operating loss	 <u>(165,398)</u>
 Non-operating revenues (expenses):	
Federal and state grants	73,765
Interest revenue	438
Loss on disposal of capital assets	(111,809)
Total non-operating revenues	<u>(37,606)</u>
 Change in net assets.	 (203,004)
 Net assets at beginning of year	 <u>208,015</u>
 Net assets at end of year.	 <u><u>\$ 5,011</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:

Cash received from state foundation	\$	209,172
Cash received from sales/charges for services.		2,019
Cash received from other operations		969
Cash payments for contractual services		(253,304)
Cash payments for materials and supplies		(95,287)
Cash payments for other expenses		(34,804)
Net cash used in operating activities		(171,235)

Cash flows from noncapital financing activities:

Cash received from federal and state grants		139,247
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Cash flows from investing activities:

Interest received		438
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Net decrease in cash and cash equivalents		(31,550)
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Cash and cash equivalents at beginning of year		50,845
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Cash and cash equivalents at end of year	\$	19,295
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**Reconciliation of operating loss to net
cash used in operating activities:**

Operating loss	\$	(165,398)
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Adjustments:

Depreciation		33,496
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Changes in assets and liabilities:

Increase in materials and supplies inventory		(10,613)
Increase in prepayments		(15,566)
Decrease in accounts payable.		(33,459)
Increase in intergovernmental payable		20,305

Net cash used in operating activities	\$	(171,235)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy – Tiffin (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, 2009, with North Central Ohio Educational Service Center (the “Sponsor”) for a period of two years commencing on July 1, 2009 with automatic renewals for successive one-year terms.

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 the fiscal year 2012 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.

A. Reporting Entity

The following organization is described due to its relationship to the Academy:

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

North Central Ohio Regional Council of Governments (NCORcog)

NCORcog is a legally separate body politic and corporate served by a eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services.

Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial, founding members, and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

B. 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.

C. 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.

D. 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.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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.

E. 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.

F. 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 2012, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

G. Inventory

Purchased inventories are presented at the lower of cost or market value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption.

H. 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 at June 30, 2012 were transferred to North Central Academy – Fremont.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

I. 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 and federally funded programs.

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

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary 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.

K. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Education Jobs grant, the Race to the Top Grant, the Federal IDEA Part B grant, the Federal Title I grant, the Improving Teacher Quality Title II-A grant and the Title II-D Technology 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 2012 was \$73,765.

L. 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.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

M. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2012. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2012, the carrying amount of the Academy's deposits was \$19,295. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the Academy's entire bank balance of \$21,545 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2012:

	Balance <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/12</u>
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 155,053	\$ 36,627	\$ (191,680)	
Less: accumulated depreciation	(46,375)	(33,496)	79,871	
Capital assets, net	<u>\$ 108,678</u>	<u>\$ 3,131</u>	<u>\$ (111,809)</u>	<u> </u>

During fiscal year 2012, all of the Academy's capital assets were transferred to North Central Academy – Fremont. The Academy had no capital assets at June 30, 2012.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - RECEIVABLES

The Academy had the following intergovernmental receivables at June 30, 2012:

Fostoria Community Schools	\$ 1,200
Federal IDEA Part-B	<u>565</u>
Total	<u>\$ 1,765</u>

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

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and technical services	\$ 212,277
Property services	12,875
Travel and meetings	530
Communications	3,470
Pupil transportation	<u>5,232</u>
Total	<u>\$ 234,384</u>

NOTE 8 - 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 2012, 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.

NOTE 9 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

**NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 – CONTINGENCIES - (Continued)

This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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. For fiscal year 2012, the results of this review resulted in a decrease of \$28,078 that is reflected as an intergovernmental payable on the financial statements.

NOTE 10 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$254,685 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2012.

NOTE 11 - CONSOLIDATION

During fiscal year 2012, the Academy began consolidation with North Central Academy – Fremont since both Academies moved to the same building in June 2011.

During fiscal year 2013, both schools will combine student enrollment and equipment and operate under the same IRN.

The transfer of capital assets (See Note 5) is a result of this consolidation. North Central Academy - Tiffin will operate as Lakeland Academy, Harrison County in fiscal year 2013.

NOTE 12 – SIGNIFICANT SUBSEQUENT EVENT

Subsequent to year-end, the Academy transferred to a new K-12 school also sponsored by the North Central Ohio Educational Service Center in Harrison County, called Lakeland Academy.

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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*

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

To the Board of Directors:

We have audited the basic financial statements of the North Central Academy – Tiffin, Seneca County, Ohio (the Academy), as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 14, 2013. 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 opinions 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*.

North Central Academy – Tiffin
Seneca County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

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.

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

Dave Yost
Auditor of State

January 14, 2013

NORTH CENTRAL ACADEMY - TIFFIN
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Incorrectly reported accounts payable.	Yes	

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NORTH CENTRAL ACADEMY- TIFFIN

SENECA 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
JANUARY 29, 2013**