

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013



Dave Yost • Auditor of State

Board of Directors
Maritime Academy of Toledo
803 Water Street
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Maritime Academy of Toledo, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2012 through June 30, 2013. 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 Maritime Academy of Toledo is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 8, 2014

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**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

Report on the Financial Statements

We have audited the accompanying financial statements of the Maritime Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Maritime Academy of Toledo
Lucas County

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Maritime Academy of Toledo, Lucas County, as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maritime Academy of Toledo, Lucas County's basic financial statements. The schedule of expenditures of federal awards on page 26 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures

The Board of Directors
Maritime Academy of Toledo
Lucas County

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements of to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, on our consideration of the Maritime Academy of Toledo, Lucas County'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Maritime Academy of Toledo's internal control over financial reporting and compliance.



February 10, 2014

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the Maritime Academy of Toledo's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position was \$607,236 at June 30, 2013.
- The Academy had operating revenues of \$1,706,359, operating expenses of \$2,024,291 and non-operating revenues and expenses of \$569,634 for fiscal year 2013. Total change in net position for the fiscal year was an increase of \$251,702.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* 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 Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2013?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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 9 and 10 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 11 of this report.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below provides a summary of the Academy's net position for fiscal year 2013 and 2012.

	Net Position	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 406,622	\$ 208,667
Capital assets, net	<u>2,402,168</u>	<u>2,476,894</u>
Total assets	<u>2,808,790</u>	<u>2,685,561</u>
<u>Liabilities</u>		
Current liabilities	130,852	163,059
Non-current liabilities	<u>2,070,702</u>	<u>2,166,968</u>
Total liabilities	<u>2,201,554</u>	<u>2,330,027</u>
<u>Net Position</u>		
Net investment in capital assets	331,466	309,926
Restricted	36,598	44,985
Unrestricted	<u>239,172</u>	<u>623</u>
Total net position	<u>\$ 607,236</u>	<u>\$ 355,534</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013 and June 30, 2012, the Academy's net position totaled a balance of \$607,236 and \$355,534, respectively.

A portion of the Academy's net position, \$36,598 represents resources that are subject to external restrictions on how they may be used.

At year-end, capital assets represented 85.52% of total assets. Capital assets consisted of land, land improvements, building, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$331,466. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below shows the changes in net position for fiscal year 2013 and 2012.

Change in Net Position

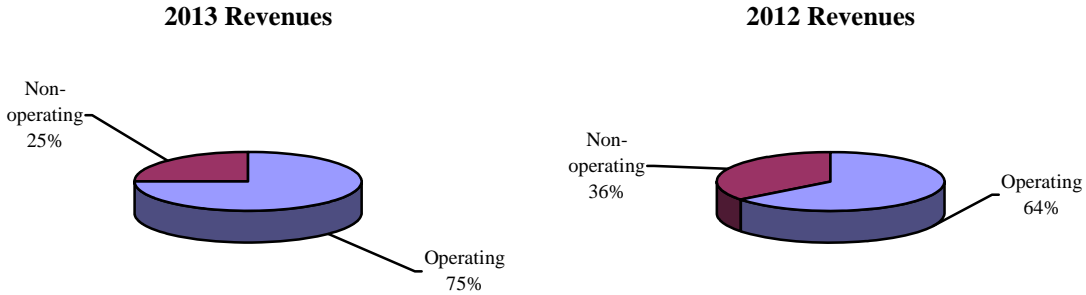
	<u>2013</u>	<u>2012</u>
<u>Operating Revenues:</u>		
Foundation payments	\$ 1,498,822	\$ 1,208,129
Special education payments	163,147	85,084
Extracurricular	11,144	3,837
Food services	8,204	11,262
Classroom fees	24,346	15,414
Other	<u>696</u>	<u>1,313</u>
Total operating revenue	<u>1,706,359</u>	<u>1,325,039</u>
<u>Operating Expenses:</u>		
Salaries and wages	904,764	933,711
Fringe benefits	229,535	239,802
Purchased services	415,858	451,820
Materials and supplies	235,989	208,458
Depreciation	89,319	100,064
Other	<u>148,826</u>	<u>26,462</u>
Total operating expenses	<u>2,024,291</u>	<u>1,960,317</u>
<u>Non-operating Revenues (Expenses):</u>		
Grants and subsidies	675,695	724,871
Interest	-	2
Contributions and donations	-	5,934
Interest and fiscal charges	<u>(106,061)</u>	<u>(103,476)</u>
Total non-operating revenues	<u>569,634</u>	<u>627,331</u>
Change in net position	251,702	(7,947)
Net position at beginning of year	<u>355,534</u>	<u>363,481</u>
Net position at end of year	<u>\$ 607,236</u>	<u>\$ 355,534</u>

The overall increase in net position can mainly be attributed to the increase in foundation revenue. Purchased services also decreased due to cost saving measures.

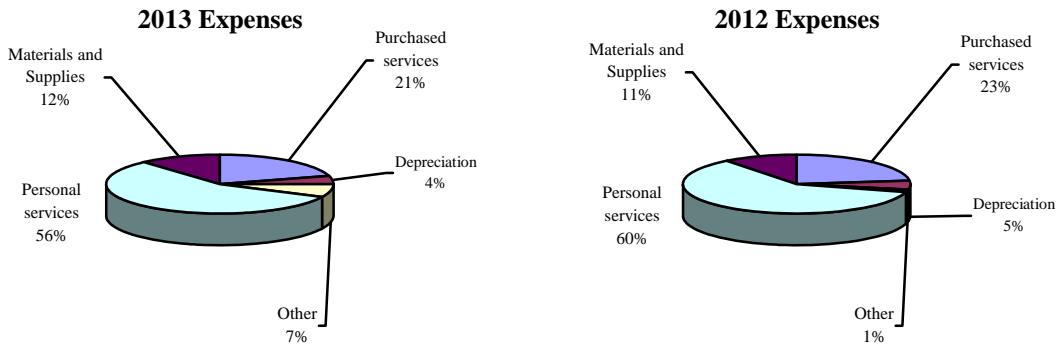
**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The charts below illustrate the revenues for the Academy for fiscal years 2013 and 2012.



The charts below illustrate the expenses for the Academy for fiscal years 2013 and 2012.



Capital Assets

At June 30, 2013, the Academy had \$2,402,168 invested in land, land improvements, building, furniture, fixtures and equipment and vehicles. See Note 6 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2013, the Academy had \$2,070,702 in mortgage notes outstanding. Of this total, \$101,185 is due within one year and \$1,969,517 is due in more than one year. See Note 7 to the basic financial statements for more detail on long-term obligations.

Current Financial Related Activities

The Academy is reliant upon State Foundation monies and federal grants to provide a maritime based curriculum to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply all financial 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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Michael Troper, Treasurer, Maritime Academy, 803 Water Street, Toledo, Ohio 43604.

**MARITIME ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash and cash equivalents	\$ 328,060
Receivables:	
Accounts	174
Intergovernmental.	51,210
Prepayments	<u>27,178</u>
Total current assets	<u>406,622</u>
Non-current assets:	
Land.	68,560
Depreciable capital assets, net	<u>2,333,608</u>
Total non-current assets.	<u>2,402,168</u>
Total assets.	<u>2,808,790</u>
Liabilities:	
Current liabilities:	
Accounts payable.	23,991
Accrued wages and benefits	60,719
Compensated absences.	21,702
Pension obligation payable.	8,303
Intergovernmental payable	<u>16,137</u>
Total current liabilities	<u>130,852</u>
Non-current liabilities:	
Due within one year.	101,185
Due in more than one year.	<u>1,969,517</u>
Total non-current liabilities	<u>2,070,702</u>
Total liabilities	<u>2,201,554</u>
Net position:	
Net investment in capital assets.	331,466
Restricted for:	
Locally funded programs.	1,351
State funded programs.	327
Federally funded programs	30,882
Other purposes.	4,038
Unrestricted.	<u>239,172</u>
Total net position.	<u>\$ 607,236</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
Foundation revenue	\$ 1,498,822
Special education payments	163,147
Extracurricular.	11,144
Classroom fees	24,346
Food service	8,204
Other	696
Total operating revenues	<u>1,706,359</u>
Operating expenses:	
Salaries and wages.	904,764
Fringe benefits.	229,535
Purchased services.	415,858
Materials and supplies	235,989
Other.	148,826
Depreciation	89,319
Total operating expenses.	<u>2,024,291</u>
Operating loss	<u>(317,932)</u>
Non-operating revenues (expenses):	
Grants and subsidies.	675,695
Interest and fiscal charges	<u>(106,061)</u>
Total non-operating revenues (expenses)	<u>569,634</u>
 Change in net position	 251,702
Net position at beginning of year.	<u>355,534</u>
Net position at end of year	<u><u>\$ 607,236</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from foundation payments	\$ 1,453,239
Cash received from special education payments	163,147
Cash received from classroom fees	24,346
Cash received from extracurricular activities.	11,144
Cash received from food services	8,030
Cash received from other operations	696
Cash payments for salaries and wages	(908,519)
Cash payments for fringe benefits	(258,087)
Cash payments for contractual services	(411,244)
Cash payments for materials and supplies	(233,149)
Cash payments for other expenses	(112,674)
	(263,071)
Net cash used in operating activities.	(263,071)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	708,560
Net cash provided by noncapital financing activities.	708,560
Cash flows from capital and related financing activities:	
Interest and fiscal charges.	(106,061)
Principal retirement on mortgage payable	(96,266)
Acquisition of capital assets.	(14,593)
	(216,920)
Net cash used in capital and related financing activities.	(216,920)
Net increase in cash and cash equivalents	228,569
Cash and cash equivalents at beginning of year	99,491
Cash and cash equivalents at end of year	\$ 328,060
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (317,932)
Adjustments:	
Depreciation	89,319
Changes in assets and liabilities:	
Increase in accounts receivable	(174)
Increase in prepayments	(2,077)
Increase in accounts payable.	7,300
(Decrease) in accrued wages and benefits	(6,148)
(Decrease) in intergovernmental payable	(36,190)
Increase in compensated absences payable	2,953
(Decrease) in pension obligation payable	(122)
	(122)
Net cash used in operating activities	\$ (263,071)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE ACADEMY

Maritime Academy of Toledo (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to "build better citizens for America." To accomplish this mission, the Academy commits to one-hundred percent student passage of the Ohio Graduation Test and to achieving a one-hundred percent diploma and graduation rate, by providing students a rigorous, high quality middle/junior/high school education (grades 5 through 12) that incorporates Navy Sea Cadet formation and a U.S. Coast Guard Junior Reserved Officers Training Corp. The Academy offers students a challenging Ohio standards-based education that promotes teamwork and moral leadership through maritime/nautical focused themes that are interwoven throughout and integrated across the curriculum. The Academy, which is part of the State's education program, is independent of any school district and is non-sectarian 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 operation of the Academy.

The Academy was approved for operation under a Sponsorship Agreement with the Educational Service Center of Central Ohio (previously known as Franklin County Educational Service Center) (the "Sponsor") through June 30, 2010. On May 21, 2010, the Academy renewed the Sponsorship Agreement with the Educational Service Center of Central Ohio for a three year period July 1, 2010 through June 30, 2013. 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. See Note 14 for more information on the Academy's agreement with its Sponsor.

The Academy operates under the direction of a Governing Board (the "Board"). 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 Governing Board controls the Academy's instructional/support facility staffed by 18 non-certified and 21 certified teaching personnel who provide services to 214 students.

During fiscal year 2010, the Maritime Foundation, a non-profit organization, was organized to operate a school to provide maritime training and make grants to and benefit educational institutions that are tax exempt. As discussed in Note 13, the Academy purchases services from the Foundation. In accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61, the Foundation is not a component unit of the Academy nor is it a joint venture or jointly governed organization of the Academy.

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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of the Academy's policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to track and report its financial activities. Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets plus deferred outflows and all liabilities plus deferred inflows are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 on the accrual basis when the exchange takes place.

Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations are 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.

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 does prescribe an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis. Chapter 3314.03(A)(11)(d) of the Ohio Revised Code also requires the Academy to prepare a five-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**MARITIME ACADEMY OF TOLEDO
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

E. Cash and Cash Equivalents

Cash held by the Academy is reflected as “cash and cash equivalents” on the statement of Net Position. 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 2013, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid and Special Education Programs. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled \$1,498,822 and those associated with Special Education grants from the State of Ohio totaled \$163,147 during fiscal year 2013.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,500. The Academy does not possess any infrastructure. Improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Building	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	6 - 15 years

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

I. Accrued Liabilities Payable

The Academy has recognized certain liabilities on the statement of net position relating to expenses, which are due, but unpaid as of June 30, 2013 including:

Accrued wages and benefits payable - salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2013 contract.

Intergovernmental payable - payment for the employer's share of the retirement contribution, Medicare Unemployment Workers' Compensation, and amounts due to the Ohio Department of Education associated with services rendered during fiscal year 2013 that were paid in the subsequent year and unemployment compensation.

J. Compensated Absences

Full-time administrative employees earn two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Vacation leave up to sixty (60) days will be paid out to the superintendent upon separation of employment. Unused vacation leave will not be paid to any other employees upon separation of employment.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment.

The liability for compensated absences at year-end is described in Note 11.

K. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

M. 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.

N. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2013, the carrying amount of the Academy's deposits was \$328,060. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$104,951 of the Academy's bank balance of \$354,951 was exposed to custodial risk while \$250,000 was covered by the FDIC.

B. Investments

The Academy had no investments at June 30, 2013.

NOTE 4 - ACCOUNTABILITY

A. Change in Accounting Principles

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - ACCOUNTABILITY - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable related to food service operations. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables:	<u>Amount</u>
Vocational education	\$ 2,286
Race to the top	3,065
Title I - Disadvantaged children	29,621
Title II - Improving teacher quality	2,480
Miscellaneous federal and state grants	<u>13,758</u>
Total	<u>\$ 51,210</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/13</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 68,560	\$ -	\$ -	\$ 68,560
Total capital assets, not being depreciated	<u>68,560</u>	<u>-</u>	<u>-</u>	<u>68,560</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	86,967	-	-	86,967
Building	2,165,658	-	-	2,165,658
Furniture, fixtures and equipment	258,248	14,593	-	272,841
Vehicles	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total capital assets, being depreciated	<u>2,535,873</u>	<u>14,593</u>	<u>-</u>	<u>2,550,466</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(6,507)	(4,744)	-	(11,251)
Building	(81,212)	(28,767)	-	(109,979)
Furniture, fixtures and equipment	(37,320)	(54,141)	-	(91,461)
Vehicles	<u>(2,500)</u>	<u>(1,667)</u>	<u>-</u>	<u>(4,167)</u>
Total accumulated depreciation	<u>(127,539)</u>	<u>(89,319)</u>	<u>-</u>	<u>(216,858)</u>
Capital assets, net	<u>\$ 2,476,894</u>	<u>\$ (74,726)</u>	<u>\$ -</u>	<u>\$ 2,402,168</u>

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - LONG-TERM OBLIGATIONS

A. The changes in the Academy's long-term obligations during the year consist of the following:

	Balance <u>6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/13</u>	Amounts Due in <u>One Year</u>
Notes payable - Genoa Bank	\$ 1,916,968	\$ -	\$ (96,266)	\$ 1,820,702	\$ 101,185
Notes payable - AMO	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,166,968</u>	<u>\$ -</u>	<u>\$ (96,266)</u>	<u>\$ 2,070,702</u>	<u>\$ 101,185</u>

B. On June 30, 2011, the Academy borrowed a \$2,000,000 mortgage note payable from Genoa Bank to acquire a building, land and other capital assets. This note is for 15 years. The interest rate is 5 percent for the first five years and then is adjusted every 60th month at 3.5 percent above the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. Principal and interest payments are made by the Academy monthly. Additionally, the Academy borrowed a \$250,000 seller backed mortgage note from the American Maritime Officers Building Corporation of Ohio. This note is for 15 years. The principal, but not interest, is deferred for the first 60 months. The interest rate is 5 percent for the first five years and then is adjusted every 60th month at 3.5 percent above the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years. Payments are made by the Academy monthly. The \$2,000,000 mortgage note payable with Genoa Bank is collateralized by the building and guaranteed by the Maritime Foundation and the American Maritime Officers Building Corporation of Ohio.

The following is a summary of the future annual debt service requirements to maturity for the mortgage notes with Genoa Bank and AMO:

Fiscal Year Ending June 30,	Genoa Bank			AMO		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 101,185	\$ 88,642	\$ 189,827	\$ -	\$ 12,500	\$ 12,500
2015	106,357	83,470	189,827	-	12,500	12,500
2016	111,792	78,035	189,827	-	12,500	12,500
2017	117,505	72,322	189,827	18,083	12,126	30,209
2018	123,510	66,316	189,826	20,694	11,126	31,820
2019 - 2023	718,936	230,198	949,134	120,476	38,623	159,099
2024 - 2027	<u>541,417</u>	<u>43,882</u>	<u>585,299</u>	<u>90,747</u>	<u>7,364</u>	<u>98,111</u>
Total	<u>\$ 1,820,702</u>	<u>\$ 662,865</u>	<u>\$ 2,483,567</u>	<u>\$ 250,000</u>	<u>\$ 106,739</u>	<u>\$ 356,739</u>

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2013, the Academy contracted with the Hanover Insurance Company for insurance coverage as follows:

Blanket Building & BPP	\$ 8,750,000
Commercial General Liability per occurrence	1,000,000
Commercial General Liability aggregate	2,000,000
Commercial General Liability Personal and Advertising Injury	1,000,000
Products/Completed Operations aggregate	2,000,000
Excess/Umbrella per occurrence and aggregate	5,000,000
Sexual/Physical Abuse or Molestation per occurrence and aggregate	1,000,000
Employee Benefits Liability per occurrence and aggregate	1,000,000
Stop Gap Liability per occurrence and aggregate	1,000,000
Fire Damage Limit	500,000
Medical Expenses (any one person)	15,000

Settlements have not exceeded insurance coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2012.

B. Workers' Compensation

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

C. Employee Medical, Dental and Vision Benefits

The Academy has contracted through an independent agent to provide employee medical, dental and vision insurance to its full time employees who work 25 or more hours per week. The Academy pays the monthly premiums for all selected coverage (medical, dental and vision insurance).

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 "Employers/Audit Resources".

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - PENSION PLANS - (Continued)

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 2013, 13.05 percent and 0.05 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, 2013, 2012 and 2011 were \$33,159, \$38,177 and \$38,153, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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 website 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.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$85,121, \$79,883 and \$90,682, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$11,596 made by the Academy and \$8,283 made by the plan members.

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 Section 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 "Employers/Audit Resources".

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 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 2013, 2012 and 2011 were \$3,953, \$5,546 and \$7,513, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,873, \$2,255 and \$2,455, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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 2013, 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, 2013, 2012 and 2011 were \$6,548, \$6,145 and \$6,976, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Full-time administrative staff earn from two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Vacation leave up to sixty (60) days will be paid out to the superintendent upon separation of employment. A liability of \$21,702 is recorded at June 30, 2013.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment. No liability for sick leave is recorded at June 30, 2013.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment. No liability for unused personal leave is recorded at June 30, 2013.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - OPERATING LEASES

On September 1, 2008, the Academy leased a copier under a non-cancelable operating lease. The term of the lease is 60 months and commenced on September 1, 2008. Required monthly rental payments under the lease are \$267. Total rent expense for the fiscal year ended June 30, 2013 was \$3,471.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2013:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Copier</u> <u>Lease</u>
2014	\$ <u>535</u>

NOTE 13 - PURCHASED SERVICES

For the year ended June 30, 2013, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 129,346
Property services	131,709
Travel mileage/meeting expense	12,492
Communications	16,596
Utilities	89,832
Tuition	22,186
Pupil transportation	2,988
Other	<u>10,709</u>
Total Purchased Services	<u>\$ 415,858</u>

On January 11, 2010, the Academy entered into a services contract with the Maritime Foundation (the "Foundation"), a separate non-for-profit organization. Under the terms of the contract, the Foundation agrees to manage three engine room simulators, three navigation simulators and one radar simulator and also includes oversight and inspection of all facets of the operations of the simulators. The contract term was February 1, 2010 through January 31, 2011. The Academy renewed this contract for the period February 1, 2011 through December 31, 2013. The Academy agrees to pay the Foundation \$6,500 per month under the purchase service contract. During fiscal year 2013, the Academy paid \$78,000 to the Foundation under this contract, which is included in professional and technical services expense. Total remaining due under this agreement is \$39,000 for 2014.

**MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 14 - SPONSOR CONTRACT

The Academy entered into a five-year contract commencing on January 10, 2005 and continuing through June 30, 2010 with the Sponsor for its establishment. The Academy renewed the sponsorship agreement for a three year period, July 1, 2013 through June 30, 2016. Under the contract, the following terms were agreed upon:

- The Academy shall comply with the policies and provisions described in the “Educational Program”, which contains the Academy’s mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, and the focus of the curriculum.
- The Academy shall comply with a “Financial Plan”, which details an estimated school budget for each year of the period of the contract, and shall specify the total estimated per pupil expenditure amount for each such year.
- The Academy shall comply with the procedures by which the members of the Academy will be selected in the future as set forth in the “Governance and Administrative Plan”.
- The Academy shall agree to assess student achievement of academic goals using the methods of measurement identified in the “Assessment and Accountability Plan”.
- The Sponsor shall evaluate the performance of the Academy and agrees to comply with the standards by which the success of the Academy will be evaluated.

The Academy paid \$44,480 in sponsorship fees to the Sponsor during fiscal year 2013.

NOTE 15 - 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. 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 Academy at June 30, 2013, 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. The Academy does not anticipate any significant adjustments to state funding for the fiscal year ended June 30, 2014, as a result of the reviews which have yet to be completed.

MARITIME ACADEMY OF TOLEDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
YEAR ENDED JUNE 30, 2013

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program Title	Federal CFDA <u>Number</u>	Grant <u>Receipts</u>	Non-Cash <u>Receipts</u>	Grant <u>Expenditures</u>	Non-Cash <u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education - Part B - IDEA	84.027	\$ 54,263	\$ -0-	\$ 67,913	\$ -0-
Education Jobs	84.410	2,306	-0-	-0-	-0-
Title I	84.010	176,318	-0-	154,075	-0-
Title II-A - Improving Teacher Quality	84.367	1,676	-0-	2,598	-0-
Twenty-First Century Community Learning Centers	84.287	306,729	-0-	274,832	-0-
Race to the Top	84.395	<u>28,222</u>	<u>-0-</u>	<u>29,386</u>	<u>-0-</u>
TOTAL DEPARTMENT OF EDUCATION		569,514	-0-	528,804	-0-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
National School Lunch Program	10.555	76,048	3,527	76,048	3,527
School Breakfast Program	10.553	<u>40,734</u>	<u>-0-</u>	<u>40,734</u>	<u>-0-</u>
		116,782	3,527	116,782	3,527
TOTAL DEPARTMENT OF AGRICULTURE		<u>116,782</u>	<u>3,527</u>	<u>116,782</u>	<u>3,527</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 686,296</u>	<u>\$ 3,527</u>	<u>\$ 645,586</u>	<u>\$ 3,527</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Maritime Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Maritime Academy of Toledo
Lucas County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Maritime Academy of Toledo, Lucas County in a separate letter dated February 10, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 10, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

Report on Compliance for Each Major Federal Program

We have audited Maritime Academy of Toledo, Lucas County's ("Academy"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2013. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of the Academy's compliance.

Board of Directors
Maritime Academy of Toledo
Lucas County

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



February 10, 2014

MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:		<u>Unmodified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditors’ report issued on compliance for major programs:		<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
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Auditee qualified as low risk auditee?	___X___Yes	_____No
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

NONE

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Dave Yost • Auditor of State

MARITIME ACADEMY OF TOLEDO

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2014**