



# Balestra, Harr & Scherer, CPAs, Inc.

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

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CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2014  
Fiscal Year Audited Under GAGAS: 2014





# Dave Yost • Auditor of State

Board of Education  
Central Academy of Ohio  
2727 Kenwood Boulevard  
Toledo, Ohio 43606

We have reviewed the *Independent Auditor's Report* of the Central Academy of Ohio, Lucas County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Central Academy of Ohio is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 3, 2015

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CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY  
YEAR ENDED JUNE 30, 2014

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# Balestra, Harr & Scherer, CPAs, Inc.

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

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## Independent Auditor's Report

Central Academy of Ohio  
Lucas County  
2727 Kenwood Boulevard  
Toledo, Ohio 43606-3216

To the Board of Education:

### Report on the Financial Statements

We have audited the accompanying financial statements of Central Academy of Ohio, Lucas County, Ohio, (the Academy), as of and for the year ended June 30, 2014, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Academy of Ohio, Lucas County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the financial statements, the Academy has suffered recurring losses from operations and has a net asset deficiency of \$1,753,377 that raises substantial doubt about its ability to continue as a going concern. Note 16 describes management's plan regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion was not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Academy's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
December 19, 2014



**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of the Central Academy of Ohio's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

- Total Assets were \$76,027.
- Total Liabilities were \$1,829,404.
- Total Change in Net Position was (\$305,316).

**Using this Annual Financial Report**

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and change in net position, and statement of cash flows.

**Reporting the Academy as a Whole**

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net Position— the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net positions – as reported in the Statement of Net Position – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Statement of Net Position**

The Statement of Net Position answers the question, "How did we do financially during 2014?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net position for fiscal year 2014 and 2013:

Table 1 Net Position		
	2014	2013
<b>Assets</b>		
Current Assets	\$ 69,152	\$ 37,571
Noncurrent Assets	6,875	8,250
Total Assets	76,027	45,821
<b>Liabilities</b>		
Current Liabilities	1,829,404	1,493,881
Total Liabilities	1,829,404	1,493,881
<b>Net Position</b>		
Net Investment in Capital Assets	6,875	8,250
Restricted	39,166	19,783
Unrestricted (deficit)	(1,799,418)	(1,476,093)
Total Net Position	\$ (1,753,377)	\$ (1,448,060)

Total assets totaled \$76,027. Cash and cash equivalents amounted to \$12,071. Intergovernmental Receivables amounted to \$39,166, consisting primarily of receivables from Federal Money.

The most significant liabilities were payable to Global Educational Excellence, the Management Company in the amount of \$1,822,629.

The (\$1,799,418) deficit in unrestricted net position represents the accumulated results of the past year's operations. Since the unrestricted net position balance is a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

Table 2 shows the changes in net position for fiscal year 2014 and 2013:

Table 2  
Change in Net Position

	2014	2013
<b>Revenues</b>		
Operating Revenues:		
Foundation Payments	\$ 1,163,094	\$ 1,089,162
Other Operating Revenues	27,731	14,695
Non-Operating Revenues:		
Federal Grants	240,576	238,299
Total Revenues	1,431,401	1,342,156
<b>Expenses</b>		
Operating Expenses		
Purchased Services	1,735,342	1,745,918
Depreciation	1,375	1,375
Total Expenses	1,736,717	1,747,293
Change in Net Position	\$ (305,316)	\$ (405,137)

During the 2013-2014 school year, there were approximately 160 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2014 amounted to \$5,745 per student.

The Academy's business-type activities consist of enterprise activity. Community Schools receive no support from tax revenues. Operating revenues increased as a result of an increase in enrollment from the prior year.

Most expenses are purchased services. Per contract, the Academy remits most of its revenue to Global Educational Excellence, the Management Company, which incurs costs on behalf of the Academy to provide instruction and other costs. See Note 10 for more detail.

**Capital Assets**

At June 30, 2014, the Academy had \$6,875 invested in capital assets net of accumulated depreciation. The Academy had \$1,375 in depreciation expense in fiscal year 2014. Capital assets, net of accumulated depreciation decreased \$1,375 from fiscal year 2014. See Note 13 in the notes to the basic financial statements for more detail on capital assets.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Current Financial Issues**

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 81% percent of revenue is from the foundation allowance and federal operating grant funds. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue is not known.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens 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 information, contact the academy at 419-475-6620.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

**Assets:**

Current Assets:

Cash and Cash Equivalents	\$ 12,071
Prepaid Assets	17,915
Intergovernmental Receivables	<u>39,166</u>
Total Current Assets	<u>69,152</u>

Noncurrent Assets:

Capital Assets, Net	<u>6,875</u>
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Total Assets	<u>76,027</u>
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**Liabilities:**

Current Liabilities

Accounts Payable	6,775
Accounts Payable to Global Educational Excellence	<u>1,822,629</u>
Total Current Liabilities	

Total Liabilities	<u>1,829,404</u>
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**Net Position:**

Net investment in capital assets	6,875
Restricted for federal funded programs	39,166
Unrestricted (deficit)	<u>(1,799,418)</u>
Total Net Position	<u>\$ (1,753,377)</u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Operating Revenues:</b>	
Foundation Payments	\$ 1,163,094
Other Operating Revenues	<u>27,731</u>
Total Operating Revenues	<u>1,190,825</u>
<b>Operating Expenses:</b>	
Purchased Services	1,735,342
Depreciation	<u>1,375</u>
Total Operating Expenses	<u>1,736,717</u>
Operating Loss	<u>(545,892)</u>
<b>Non-Operating Revenues:</b>	
Operating Grants- Federal	<u>240,576</u>
Change in Net Position	(305,316)
Net Position at Beginning of Year	<u>(1,448,061)</u>
Net Position at End of Year	<u><u>\$ (1,753,377)</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Cash Flows from Operating Activities:**

Cash Received from State foundation	\$ 1,163,094
Cash Received from other operations	27,731
Cash Payments to suppliers for goods and services	<u>(1,413,244)</u>
Net Cash Used for Operating Activities	<u>(222,419)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Operating Grants- Federal	<u>221,193</u>
Net Decrease in Cash and Cash Equivalents	<u>(1,226)</u>

Cash and Cash Equivalents at Beginning of Year	13,297
Cash and Cash Equivalents at End of Year	<u><u>\$ 12,071</u></u>

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

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Operating Loss	\$ (545,892)
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**Adjustments to Reconcile Operating Loss  
to Net Cash Used for Operating Activities:**

Depreciation	1,375
Changes in Assets and Liabilities:	
(Increase)/Decrease in Assets:	
Increase in Prepaid	(13,424)
Increase/(Decrease) in Liabilities:	
Decrease in Accounts Payable	(636)
Increase in Accounts Payable to Global Educational Excellence	<u>336,158</u>
Total Adjustments	<u>323,473</u>
Net Cash Used for Operating Activities	<u><u>\$ (222,419)</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Central Academy of Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eight. The Academy's objective is to promote lifelong learning by nurturing academic excellence, positive character, and an appreciation of cultures. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. 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 qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code.

The Academy has renewed its charter agreement under the oversight of Ohio Council of Community Schools (OCCS) for a period of ten years which commenced July 1, 2013 and ending June 30, 2022. 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. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3% percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a five member board of directors. The board of directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by eleven noncertified and twelve certified full-time teaching personnel who provide services to 160 students.

The governing board has entered into a management contract with Global Educational Excellence to provide consulting services, including teacher training, curriculum development, financial management, and state relations. (See Note 10)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting 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 change in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.



**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net position. The statement of revenues, expenses, and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total 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 financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenues 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 non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include 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 Academy on 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 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction, unless specifically provided in the contract between the academy and its sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

**E. Cash and Cash Equivalents**

All monies received by the Academy are accounted for by the Academy's management company, Global Educational Excellence, which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 fiscal year in which services are consumed.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**G. Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	5 years
Furniture, Fixtures and Equipment	5 years
School Bus	8 years

**H. Accrued Liabilities Payable**

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2014, including accounts payable, amounts payable to the Management Company, Global Educational Excellence.

**I. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation. 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.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**K. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Basic Aid Program. Revenues from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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 expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

**L. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2014, the carrying amount of the Academy's deposits was \$12,071 and the bank balance was \$12,071. As of June 30, 2014, the bank balance was fully covered by the Federal Deposit Insurance Corporation.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2014, consisted of intergovernmental receivables for reimbursements of Title Money for federal related expenditures. All receivables are considered collectable in full and are expected to be received within one year.

The Intergovernmental Receivables consist of the following:

Title I	32,552
Race to the Top	5,864
IDEA	750
Total Intergovernmental Receivables	<u>\$ 39,166</u>

**NOTE 6 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2014, the Academy obtained insurance thru broker Sterling Agency with the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	2,000,000
Educators Professional Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Business Personal Property	150,000
Excess Liability:	
Limits of Liability	10,000,000

Claims have not exceeded coverage for the past two fiscal years.

**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.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The Academy participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$24,849, \$29,051 and \$20,766, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System of Ohio**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS – (Continued)**

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS- (Continued)**

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries, for the fiscal years ended June 30, 2013, and 2012, plan members were required to contribute 10% of their annual covered salaries. For these fiscal years, the Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. The Academy's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$53,708, \$50,977, and \$52,519, respectively; 86% percent has been contributed for fiscal years 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested 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](http://www.strsoh.org).

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Governing Board have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8 - POSTEMPLOYMENT BENEFITS- (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The Academy's contributions for the years ended June 30, 2014, 2013 and 2012 were \$1,349, \$1,536 and \$1,112, respectively, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14%. 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. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$248, \$332 and \$816, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.



**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8 - POSTEMPLOYMENT BENEFITS- (Continued)**

**B. State Teachers Retirement System of Ohio**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts were \$3,836, \$3,921, and \$3,751, respectively. For fiscal year 2014, 90% has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

Employees of the Academy are employed by Global Educational Excellence. Policies and procedures, and benefits are approved by the Global Educational Excellence.

**NOTE 10 - MANAGEMENT AGREEMENT**

The Academy entered into a 5-year contract, effective March 14, 2007 with an original expiration date of June 30, 2012, with Global Educational Excellence for educational management services. The contract contains a provision which extends the contract for successive one-year periods unless terminated by either party. In exchange for its services, Global Educational Excellence receives a management fee equal to 10% percent of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require Global Educational Excellence to provide the following:

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 - MANAGEMENT AGREEMENT – (Continued)**

- A. **Responsibility.** Contractor shall be responsible, and accountable to the Board, for the administration, operation and performance of the Academy, in accordance with appropriate sections of the law and the Contract. Contractor shall use its best efforts to perform the obligations and responsibilities of the Academy under the law and the Contract on behalf of the Academy or to assist the Academy in performing those obligations and responsibilities. Nothing in this Agreement shall be construed to prevent the Board from exercising its statutory, contractual or fiduciary responsibilities or from setting policies governing the operation of the Academy. Decisions made by the Contractor which by law or the Contract must be made by the Board in compliance with the Ohio Open Meetings Act shall not be binding on the Academy and its Board.
- B. **Educational Program.** The educational program and the program of instruction shall be designed by Contractor in accordance with the Contract, and may be adapted and modified from time to time with prior Board approval, it being understood that an essential principle of a successful, effective educational program is its flexibility, adaptability, and capacity to change in the interest of continuous improvement and efficiency, and that the Board and Contractor are interested in results and not in inflexible prescriptions. Notwithstanding the foregoing, the Board shall have the right to approve material changes to the educational program and programs of instruction necessitated by the failure of the Academy to meet the goals identified in the Contract or otherwise abide by the terms of the Contract. The parties acknowledge that changes to the educational program may require an amendment to the Contract prior to implementation. As between the parties, all intellectual property, proprietary information or other rights in or to any curriculum, educational materials or teaching techniques developed by Contractor for the Academy shall be the property of the Academy and shall be subject to disclosure under the law and the Ohio Freedom of Information Act unless specifically exempt.
- C. **Strategic Planning.** Contractor shall design strategic plans for the continuing educational and financial benefit of the Academy.
- D. **Public Relations.** Contractor shall design an ongoing public relations strategy for the development of beneficial and harmonious relationships with other organizations and the community, for implementation by the Academy as Board. Marketing and development costs paid by or charged to the Academy shall be limited to those costs specific to the Academy program, and shall not include any costs for the marketing and development of the Contractor or any Academy managed by the Contractor.
- E. **Specific Functions.** Contractor shall be responsible for the management, operation, administration, and provision of educational and custodial activities at the Academy. Such functions may include, but are not limited to:
1. Implementation and administration of the Educational Program, including the recommendation and acquisition of instructional materials, equipment and supplies (subject to the right of the Board to approve text books), and the administration of any and all extra and co-curricular activities and programs as approved by the Academy Board;
  2. Management of all personnel functions, including professional development for the Principal, all instructional personnel and other staff, and the personnel functions outlined in Article I;

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 - MANAGEMENT AGREEMENT – (Continued)**

3. Maintenance and operation of the school building and installation of technology for educational or operational purposes;
  4. All aspects of the business administration of the Academy;
  5. All business, educational, and community partnering programs;
  6. All strategic planning;
  7. All fund raising and grant development programs and strategies;
  8. Public relations programs, strategies and events;
  9. Any other function necessary or expedient for the administration of the Academy, or as may be required under the law, the Contract, or by OCCS.
  10. Contractor and the Board acknowledge that the school building is currently leased and that the Board Liaison will be responsible for compliance with the tenant's obligations thereunder, the expense of which shall be borne by the Board. Contractor shall identify to the Board Liaison those tenant obligations it performs on behalf of the Academy. The parties acknowledge that nothing contained herein shall affect the respective obligations of the landlord and tenant under the lease of the school building.
- F. **Subcontracts.** Contractor reserves the right to subcontract, with Academy Board approval, any and all aspects of all other services it agrees to provide to the Academy, including, but not limited to transportation and/or food service.
- G. **Place of Performance.** Contractor reserves the right to perform functions other than instruction, such as purchasing, professional development and administrative functions, off-site, unless prohibited by state or local law.
- H. **Materials Purchased.** All equipment, materials and supplies purchased by Contractor on behalf of the Academy shall be property of the Academy. If Contractor purchases equipment, material and supplies for the Academy, it shall comply with state law as if the Academy were making all such purchases directly.
- I. **Student Recruitment.** Contractor and the Board shall be jointly responsible for the recruitment of students, subject to the Board's direction on general recruitment and admission policies and the Contract. Application by or for students shall be voluntary, and shall be in writing. Students shall be selected in accordance with the procedures set forth in the Contract and in compliance with state law and other applicable law.
- J. **Due Process Hearings.** Contractor shall provide student due process hearings in conformity with the requirements of state and federal law regarding discipline, special education, confidentiality and access to record, consistent with the Academy's own obligations and policy.
- K. **Legal Requirements.** Contractor shall provide educational programs that meet federal, state, and local laws and regulations, and the requirements imposed under the law and the Contract, unless such requirements are or have been waived.

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 - MANAGEMENT AGREEMENT – (Continued)**

- L. **Rules and Procedures.** Contractor shall recommend reasonable rules, regulations, and procedures applicable to the Academy and is authorized and directed to enforce those rules, regulations and procedures adopted by the Academy Board.
- M. **School Year and School Day.** Contractor shall establish the calendar for the school year and the school day, subject to the requirements under law and as determined annually by the Board.
- N. **Additional Grades and Student Population.** Contractor shall make recommendations to the Board concerning limiting, increasing, or decreasing the number of grades offered and the number of students served per grade or in total, within the limits provided for by the Contract. In the event the Board seeks to expand the Academy to a new grade level, the Board shall involve Contractor in such efforts as early as possible.
- O. **Material Breach of Agreement.** Failure of Contractor to reasonably perform these functions, unless prevented from doing so by the Academy, its Board or circumstances beyond Contractor's control, shall be considered a material breach of this Agreement.

For the year ended June 30, 2014, Global Educational Excellence Management Company incurred the following expenses on behalf of the Academy:

Salaries and Wages	\$ 577,857
Employee Benefits	171,069
Professional and Technical Services	199,438
Property Services	89,998
Travel Mileage/Meeting Expense	6,323
Communications	25,440
Utilities	55,547
Contracted Craft or Trade Services	8,983
Books, periodicals, films	2,281
Food & Related Supplies	66,085
Student Transportation	70,233
Other Supplies	120,258
Interest	37,669
Dues and Fees	75,263
Other Direct Costs	33,959
Total	\$ 1,540,403

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 11 - PURCHASED SERVICES**

For the year ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries and Wages	\$	577,857
Employee Benefits		249,483
Professional and Technical Services		199,438
Property Services		206,498
Travel Mileage/Meeting Expense		6,323
Communications		25,440
Utilities		55,547
Contracted Craft or Trade Services		8,983
Books, periodicals, films		2,281
Food & Related Supplies		66,085
Student Transportation		70,233
Other Supplies		120,258
Interest		37,669
Dues and Fees		75,288
Other Direct Costs		33,959
Total Purchased Services	<u>\$</u>	<u>1,735,342</u>

**NOTE 12 - OPERATING LEASES – LESSEE DISCLOSURE**

The Academy is located at 2727 Kenwood, Toledo, Ohio 43606 and entered into an extended lease for the period August 1, 2010 through July 31, 2015, with Central Academy of Toledo LLC, with lease terms of 13% of the annual pupil enrollment grant amount received, but in no event less than 75 students per year. The expense under the new lease for the Academy totaled \$118,289.

**NOTE 13 – CAPITAL ASSETS**

	Balance <u>6/30/2013</u>	Additions	Disposals	Balance <u>6/30/2014</u>
Vehicles	\$ 9,625	\$ -	\$ -	\$ 9,625
Less: accumulated depreciation	<u>(1,375)</u>	<u>(1,375)</u>	-	<u>(2,750)</u>
Capital assets, net	<u>\$ 8,250</u>	<u>\$ (1,375)</u>	<u>\$ -</u>	<u>\$ 6,875</u>

**CENTRAL ACADEMY OF OHIO  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 14 – CONTINGENCIES**

**A. Grants**

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of included herein or on the overall financial position of the Academy at June 30, 2014.

**B. State 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.

**NOTE 15 – RELATED PARTY TRANSACTIONS**

The Academy leases its building from Central Academy of Toledo, LLC. Mohamed Issa is a part owner of Central Academy of Toledo, LLC and is the President of Global Educational Excellence (the Management Company). The Academy has paid \$116,500 during fiscal year 2014 and the Academy books a lease payable of \$1,789 to Central Academy of Toledo for fiscal year 2014, which is included in accounts payable on the Statement of Net Position.

**NOTE 16 – MANAGEMENT PLAN**

The Academy had an operating loss of \$545,892 and deficit net position of \$1,753,377 at June 30, 2014. Management intends to eliminate these deficits by increasing enrollment and improving operating efficiencies, in addition to paying down the Academy's \$1,822,629 Liability with Global Educational Excellence.



# Balestra, Harr & Scherer, CPAs, Inc.

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

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

Central Academy of Ohio  
Lucas County  
2727 Kenwood Boulevard  
Toledo, Ohio 43606-3216

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Central Academy of Ohio, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 19, 2014 wherein we noted that there is a going concern.

### Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **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, opining 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*.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
December 19, 2014





# Dave Yost • Auditor of State

**CENTRAL ACADEMY OF OHIO**

**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  
FEBRUARY 17, 2015**