



**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Englewood Peace Academy  
Lucas County  
1120 Horace Street  
Toledo, Ohio 43606-4737

To the Governing Board:

We have audited the accompanying basic financial statements of Englewood Peace Academy, Lucas County, (the Academy), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Englewood Peace Academy, Lucas County, as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2006, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

June 21, 2006

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of Englewood Peace Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2005. 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 Net Assets were \$582,168.
- Total Revenue was \$1,818,564.
- Total Expenses were \$1,770,969.

**Using this Financial Report**

This report consists of three parts, the Management Discussion and Analysis, the basic financial statements, and notes to those statements. The basic financial statements are organized so the reader can understand Englewood Peace Academy as a financial whole, an entire operating entity.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets provide information about the Academy, presenting an aggregate view of the Academy's finances. In the case of Englewood Peace Academy, there is only one fund presented.

**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 Assets 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 assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – 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 Assets and the Statement of Activities report the activities for the Academy, which encompass all 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.

Table 1 provides a summary of the Academy's net assets for fiscal year 2005 and fiscal year 2004:

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 1  
Statement of Net Assets

	2005	2004
<b>Assets</b>		
Current Assets	\$ 710,781	\$ 674,509
Capital Assets, Net	67,315	43,880
<i>Total Assets</i>	<u>778,096</u>	<u>718,389</u>
<b>Liabilities</b>		
Current Liabilities	185,158	160,724
Non-Current Liabilities	10,770	23,092
<i>Total Liabilities</i>	<u>195,928</u>	<u>183,816</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	56,545	20,789
Unrestricted	525,623	513,784
<i>Total Net Assets</i>	<u>\$ 582,168</u>	<u>\$ 534,573</u>

Total assets increased by \$59,707, which represents an 8.3 percent increase from 2004. While cash and cash equivalents increased by \$74,973, total receivables decreased by \$39,416. This decrease was due to a decrease in Title I funds that were receivable at year end. Total liabilities increased by \$12,112, which represents a 6.6 percent increase from 2004. This increase was due to a larger amount of unpaid invoices and accrued payroll and the related benefits at fiscal year end for 2005. The Academy's net assets increased by \$47,595, represents an 8.9 percent increase from 2004.

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding.

(Table 2)  
Change in Net Assets

	2005	2004
<b>Operating Revenues:</b>		
Foundation Payments	\$ 1,203,511	\$ 1,156,943
Disadvantaged Pupil Impact Aid	179,595	183,319
Special Education	28,892	30,929
Food Services	21,313	20,747
Classroom Fees	19,687	19,273
Other Operating Revenues	23,546	27,493
<i>Total Revenues</i>	<u>1,476,544</u>	<u>1,438,704</u>

(Continued)



**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

(Table 2) (Continued)  
Change in Net Assets

	2005	2004
<b>Operating Expenses</b>		
Salaries	941,538	852,447
Fringe Benefits	277,574	270,919
Purchased Services	306,174	299,243
Materials and Supplies	100,136	91,454
Cost of Sales	53,208	48,107
Depreciation	38,061	24,603
Other Expenses	52,506	26,844
<i>Total Expenses</i>	<u>1,769,197</u>	<u>1,613,617</u>
<b>Non-Operating Revenues and (Expenses)</b>		
Federal Donated Commodities	15,615	16,263
Grants - Federal	300,306	258,633
Grants - State	12,530	22,428
Other	4,083	
Interest	9,486	4,357
Interest and Fiscal Charges	(1,772)	(1,726)
<b>Total Non-Operating Revenues and (Expenses)</b>	<u>340,248</u>	<u>299,955</u>
<i>Increase in Net Assets</i>	<u>\$ 47,595</u>	<u>\$ 125,042</u>

State Foundation Payments, Disadvantaged Pupil Impact Aid, and Special Education, as a whole, are the primary support for the Academy, representing 95.6 percent of operating revenue. Salaries and Fringe Benefits comprise 69.8 percent of operating expenses. Interest expense was \$1,772, representing 0.1 percent of total expenses, and is attributable to capital leases. Total Operating Revenues increased by \$37,840 which represents a 2.6 percent increase. This increase is due to an increase in students resulting in foundation revenue increasing. Total Operating Expenses increased by \$155,580 which represents a 9.6 percent increase. This increase is mainly due the increase in salaries and the related benefits. Non-Operating Revenues/Expenses increased by \$40,293 which represents a 13.4 percent increase. This increase is due to the increase in Federal Grant revenue.

The Academy had total revenues of \$1,818,564 and total expenses of \$1,770,969. The change in net assets for the year was an increase of \$47,595. This increase indicates the Academy is meeting its obligations as a whole.

**Capital Assets**

At the end of fiscal year 2005, the Academy had \$67,315 (net of \$75,340 in accumulated depreciation) invested in furniture, fixtures, and equipment. Table 3 shows fiscal year 2005 balances compared to fiscal year 2004:

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Capital Assets at June 30  
(Net of Depreciation)

	2005	2004
Furniture, Fixtures, and Equipment	\$ 61,516	\$ 26,190
Capital Lease - Computers	5,799	17,690
Totals	<u>\$ 67,315</u>	<u>\$ 43,880</u>

For more information on capital assets, see Note 5 to the basic financial statements.

**Capital Lease**

At June 30, 2005, the Academy had \$10,770 in capital leases payable, of which \$7,681 is reported as a non-current liability due within one year.

(Table 4)  
Outstanding Debt at June 30, 2005

	2005	2004
Capital Lease Payable	<u>\$ 10,770</u>	<u>\$ 23,092</u>

For more information on the capital lease, see Note 10 to the basic financial statements.

**Current Financial Issues**

During the 2004-2005 school year, there were approximately 261 students enrolled in the Academy. The Academy receives its finances mostly from state aide. Per pupil aide for fiscal year 2005 amounted to \$5,169 per student.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizen's 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 Mr. Mark Sholl, Director, Englewood Peace Academy, 1120 Horace Street, Toledo, OH 43606-4737, or by e-mail at [epa\\_ms@nwoca.org](mailto:epa_ms@nwoca.org).

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2005

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 613,456
Accounts Receivables	1,166
Intergovernmental Receivables	82,360
Items Held for Resale	550
Prepaid Items	13,249
<i>Total Current Assets</i>	<u>710,781</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>67,315</u>
<i>Total Non-Current Assets</i>	<u>67,315</u>

<i>Total Assets</i>	<u>778,096</u>
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**Liabilities**

Current Liabilities:

Accounts Payable	13,216
Accrued Wages Payable	89,035
Intergovernmental Payable	82,907
<i>Total Current Liabilities</i>	<u>185,158</u>

Non-Current Liabilities:

Due Within One Year	7,681
Due In More Than One Year	3,089
<i>Total Non-Current Liabilities</i>	<u>10,770</u>

<i>Total Liabilities</i>	<u>195,928</u>
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	56,545
Unrestricted	<u>525,623</u>
<i>Total Net Assets</i>	<u>\$ 582,168</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Operating Revenues</b>	
Foundation Payments	\$ 1,203,511
Disadvantaged Pupil Impact Aid	179,595
Special Education	28,892
Food Services	21,313
Classroom Fees	19,687
Other Revenues	<u>23,546</u>
<i>Total Operating Revenues</i>	<u>1,476,544</u>
<b>Operating Expenses</b>	
Salaries	941,538
Fringe Benefits	277,574
Purchased Services	306,174
Materials and Supplies	100,136
Cost of Sales	53,208
Depreciation	38,061
Other	<u>52,506</u>
<i>Total Operating Expenses</i>	<u>1,769,197</u>
<i>Operating Loss</i>	<u>(292,653)</u>
<b>Non-Operating Revenues and Expenses</b>	
Federal Grants	300,306
State Grants	12,530
Interest	9,486
Other Revenue	4,083
Federally Donated Commodities	15,615
Interest and Fiscal Charges	<u>(1,772)</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>340,248</u>
<i>Change in Net Assets</i>	47,595
<i>Net Assets Beginning of Year</i>	<u>534,573</u>
<i>Net Assets End of Year</i>	<u><u>\$ 582,168</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**Increase (Decrease) in Cash and Cash Equivalents:**

<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 1,421,558
Cash Received for Food Services	21,027
Cash Received from Classroom Fees	19,671
Cash Received from Other Operating Revenues	25,637
Cash Payments to Suppliers for Goods and Services	(509,694)
Cash Payments to Employees for Services	(929,522)
Cash Payments for Employee Benefits	<u>(274,565)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(225,888)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal Grants Received	334,650
State Grants Received	12,530
Other Non-Operating Revenues	<u>19,698</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>366,878</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(52,798)
Principal Payments	(21,020)
Interest Payments	<u>(1,685)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(75,503)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest	<u>9,486</u>
<i>Net Cash Provided by Investing Activities</i>	<u>9,486</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>74,973</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>538,483</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 613,456</u></u>

(Continued)

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

Operating Loss	\$ (292,653)
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**Adjustments to Reconcile Operating Loss to  
Net Cash Used by Operating Activities**

Depreciation	38,061
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(499)
Decrease in Intergovernmental Receivable	5,571
Increase in Prepaid Items	(817)
Decrease in Inventory Held for Resale	102
Increase in Accounts Payable	3,754
Increase in Accrued Wages Payable	12,577
Increase in Intergovernmental Payable	8,353
Decrease in Deferred Revenue	(337)

<i>Total Adjustments</i>	<u>66,765</u>
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<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (225,888)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Englewood Peace Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved 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. The Academy's objective is to provide quality education marked by strong values, high academic standards, and consistent discipline. Respect for self and others, honesty, friendliness, cultural pride, and collaboration describe the spirit of Englewood Peace Academy. 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 acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years, commencing July 2002. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy (see Note 11).

The Academy operates under the direction of a ten-member Governing Board. The Governing 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 one instructional/support facility staffed by 20 non-certified and 18 certificated full-time teaching personnel who provide services to 261 students.

**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 governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. 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 assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**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 when the exchange takes place.

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 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 Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

**E. Cash and Investments**

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

During fiscal year 2005, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.



**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the dates received. The Academy maintains a capitalization threshold of \$500. 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 capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	5 years
Capital Lease - Computers	3 years

**G. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

**H. Prepaid Items**

Prepayments represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the Statement of Net Assets, using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

**I. Inventory**

Inventory is stated at the lower of cost or market, and cost is determined on a first-in/first-out (FIFO) basis. Inventory consists of donated and purchased food and is expensed when used.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**J. Net Assets**

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or regulations of other governments.

**K. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily the State Foundation program, the Disadvantaged Pupil Impact Aid, and the State Special Education program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

At fiscal year end June 30, 2005, the bank balance was \$282,264. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2005, \$182,264 of the bank balance was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy's investments total \$361,318 (fair value) which is maintained in a STAR Ohio account. At June 30, 2005, STAR Ohio received the Standard & Poor's highest credit rating of AAAM.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2005, consisted of accounts and intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of accounts and intergovernmental receivables follows:

<u>Receivables</u>	<u>Amount</u>
Accounts	\$ 1,166
<u>Intergovernmental</u>	
Idea-B '05 - Special Education	14,466
Title I '05 - Targeted Assistance	47,201
Title IVA '05	2,736
Title IIA '05	6,756
Title IID '04 - Technology	680
Food Service Reimbursement	10,521
<i>Total Intergovernmental Receivables</i>	<u>82,360</u>
<i>Total Receivables</i>	<u><u>\$ 83,526</u></u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005:

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Balance 6/30/05</u>
<b>Business-Type Activity</b>					
Capital Assets Being Depreciated					
Furniture, Fixtures, and Equipment	34,557	52,798			87,355
Capital Leases - Computers	53,072	8,698		(6,470)	55,300
Total Capital Assets					
Being Depreciated	<u>87,629</u>	<u>61,496</u>		<u>(6,470)</u>	<u>142,655</u>
Less Accumulated Depreciation:					
Furniture, Fixtures, and Equipment	(8,367)	(17,472)			(25,839)
Capital Leases - Computers	<u>(35,382)</u>	<u>(20,589)</u>		6,470	<u>(49,501)</u>
Total Accumulated Depreciation	<u>(43,749)</u>	<u>(38,061)</u>		<u>6,470</u>	<u>(75,340)</u>
Total Capital Assets					
Being Depreciated, Net	<u><u>43,880</u></u>	<u><u>23,435</u></u>			<u><u>67,315</u></u>

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**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 year ended 2005, the Academy contracted with the Cincinnati Insurance Company and the Federal Insurance Company with the following insurance coverage:

Commercial General Liability per Occurrence	\$ 1,000,000
Commercial General Liability Aggregate	2,000,000
Commercial General Liability Personal & Advertising Injury	1,000,000
Commercial Umbrella Liability per Occurrence	4,000,000
Commercial Umbrella Liability Aggregate	4,000,000
Commercial Property	100,000
Electronic Data Processing (\$250 Deductible)	60,000
Employer's Liability Bodily Injury per Employee	1,000,000
Employer's Liability Aggregate	1,000,000
Educator's Professional Liability per Occurrence (\$10,000 Deductible)	1,000,000
Educator's Professional Liability Aggregate	1,000,000

The Academy owns no property, but leases a facility located at 1120 Horace Street, Toledo, Ohio. (See Note 9.)

**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 BENEFITS**

The Academy has contracted through an independent carrier to provide medical, dental, and vision insurance to its full-time employees who work 30 or more hours per week. The Academy pays the full amount for single coverage of the monthly premiums for all selected coverage.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability 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.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

For the fiscal year ended June 30, 2005, 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$40,218, \$27,083, and \$16,875, respectively; 73.80 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The balance outstanding is reflected as an intergovernmental payable.

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

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP 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 Combined Plan offers features of both the DCP and the DBP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DBP into the DCP or the CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP 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.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School 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.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003, were \$66,970, \$74,466, and \$66,370, respectively; 74.83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$5,737 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$55,724.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 – OPERATING LEASE**

The Academy entered into an operating lease agreement with St. Martin de Porre on July 1, 2002, that expires on June 30, 2005, for the Academy's facility. The Academy entered into a subsequent lease on May 24, 2005, for the period July 1, 2005, through June 30, 2006. This agreement is, in substance, a facility rental agreement, and the facility lease payments for the year totaled \$126,000. Future payments due under this lease are as follows:

June 30	Payments
2006	\$ 133,200
Total minimum lease payments	\$ 133,200

**NOTE 10 – CAPITALIZED LEASE – LESSEE DISCLOSURE**

The Academy entered into a capital lease in January 2003 for computer equipment and accessories. Another Lease was also entered into in September 2004 for computer equipment and accessories. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases were recorded at the present value of the future minimum lease payments as of the inception date. The capital lease balance at the beginning of the period (July 1, 2004) was \$23,092, and additions made totaled \$8,698. Payments made during fiscal year 2005 totaled \$21,020.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

Year Ended June 30:	
2006	\$ 8,070
2007	3,216
Total	\$ 11,286
Less: Amount Representing Interest	(516)
Present Value of Minimum Lease Payments	\$ 10,770

**NOTE 11 – FISCAL AGENT**

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Financial Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to the Academy from the State of Ohio. A total contract payment of \$33,286 was paid during the fiscal year, and a liability in the amount of \$2,598 was accrued for the year ended June 30, 2005.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 – FISCAL AGENT – (Continued)**

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

**NOTE 12 – PURCHASED SERVICES**

<b>PURCHASED SERVICES</b>	
Professional and Technical Services	\$ 52,411
Property Services	130,091
Travel Mileage/Meeting Expense	30,748
Communications	9,097
Utilities	49,335
Contracted Craft or Trade Service	1,206
LCESC Accounting Fees (See Note 13)	33,286
<i>Total Purchased Services</i>	<u><u>\$ 306,174</u></u>



**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 – CONTINGENCIES**

**A. Grants**

The Academy received 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 the overall financial position of the Academy at June 30, 2005.

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has conducted a review of the Academy's 2005 student enrollment data and FTE calculations. For fiscal year 2005, the results of this review resulted in an overpayment of foundation revenue in the amount of \$5,905, which is recorded as an intergovernmental payable.

**C. Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging Ohio's Community (i.e., Charter) School's program violates the state Constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for a review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

**NOTE 14 – RELATED PARTY**

Three members of the Academy's Governing Board are also members of the finance committee of St. Martin de Porres Parish, lessor of the Academy's facility. (See Note 9.) The Academy's legal counsel is also a member of the Academy's Governing Board. No payments for legal fees were made to the Academy's Legal Counsel during the fiscal year.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Englewood Peace Academy  
Lucas County  
1120 Horace Street  
Toledo, Ohio 43606-4737

To the Governing Board:

We have audited the basic financial statements of Englewood Peace Academy, Lucas County, (the Academy), as of and for the year ended June 30, 2005, and have issued our report thereon dated June 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated June 21, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Englewood Peace Academy  
Lucas County  
Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the audit committee, the Governing Board, and the Sponsor. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

June 21, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**ENGLEWOOD PEACE ACADEMY  
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  
JULY 18, 2006**