

**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2010*

JESSE M. HEMPHILL, TREASURER



Dave Yost • Auditor of State

Board of Directors
Cesar Chavez College Preparatory Academy
1132 Windsor Avenue
Columbus, Ohio 43211

We have reviewed the *Independent Auditor's Report* of the Cesar Chavez College Preparatory Academy, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Cesar Chavez College Preparatory Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 1, 2011

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**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 5
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets.....	7
Statement of Cash Flows.....	8
Notes to the Basic Financial Statements.....	9 - 19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20 - 21



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Cesar Chavez College Preparatory Academy
1132 Windsor Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cesar Chavez College Preparatory Academy, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Cesar Chavez College Preparatory Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cesar Chavez College Preparatory 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 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 respective financial position of the Cesar Chavez College Preparatory Academy, Franklin County, Ohio, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof for the fiscal 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 December 24, 2010, on our consideration of the Cesar Chavez College Preparatory 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 24, 2010

**Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2010
(Unaudited)**

The Management's Discussion and Analysis of Cesar Chavez College Preparatory Academy's (the "Academy") financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and prior year is required to be presented.

Financial Highlights

Key financial highlights for the Cesar Chavez College Preparatory Academy during the period ended June 30, 2010 are as follows:

- Total ending net assets of the Academy were \$56,862 for 2010 and \$42,143 for 2009.
- Total assets were \$95,368 for 2010 and \$55,691 for 2009. Total liabilities were \$38,506 for 2010 and \$13,548 for 2009.
- The Academy's operating (loss) income for these 12-month periods were (\$111,864) for 2010 and \$14,481 for 2009.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

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

This statement reports the Academy's net assets; however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2010
(Unaudited)**

Table 1 provides a summary of the Academy's net assets for June 30, 2010 and 2009.

**Table 1
Net Assets**

	<u>2010</u>	<u>2009</u>
Assets:		
Current Assets	\$78,391	\$55,691
Capital Assets, Net	16,977	-
Total Assets	<u>95,368</u>	<u>55,691</u>
Liabilities:		
Current liabilities	38,506	13,548
Total Liabilities	<u>38,506</u>	<u>13,548</u>
Net Assets:		
Invested in		
Capital Assets	16,977	-
Restricted	-	27,662
Unrestricted	39,855	14,481
Total Net Assets	<u>\$56,862</u>	<u>\$42,143</u>

**Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2010
(Unaudited)**

Table 2 shows the changes in net assets for the 12-month periods ended June 30, 2010 and 2009.

**Table 2
Change in Net Assets**

	2010	2009
Operating Revenues:		
Foundation Payments	\$331,275	\$284,496
Non Operating Revenues:		
State Subsidies	3,000	3,000
Federal Subsidies	123,583	24,662
Total Revenues	457,858	312,158
Operating Expenses:		
Salaries & Wages	144,804	74,421
Fringe Benefits	21,662	30,009
Rent	55,400	27,500
Contracted Fiscal Services	20,972	20,705
Other Purchased Services	158,801	100,821
Materials and Supplies	40,778	16,054
Depreciation Expense	498	-
Other Expenses	224	505
Total Expenses	443,139	270,015
Change in Net Assets	14,719	42,143
Net Assets, Beginning of Year	42,143	-
Net Assets, End of Year	\$56,862	\$ 42,143

Operating Revenues, which are composed of Foundation Payments, were \$331,275 for 2010 and \$284,496 for 2009, which represents 72.4% for 2010 and 91.1% for 2009 of total revenues. 90.6% for 2010 and 93.9% for 2009 of operating expenses are composed of contractual obligations relating to payroll, fringe benefits building rental, fiscal services, and management company services.

Capital Assets

At June 30, 2010, capital assets of the Academy were \$17,475, which were offset by \$498 in accumulated depreciation resulting in net capital assets of \$16,977. There was a total of \$17,475 in purchases which met the Academy's capitalization threshold of \$500 during the year. Table 3 shows the categories of capital assets maintained by the Academy at June 30, 2010 and 2009.

**Cesar Chavez College Preparatory Academy
Management's Discussion and Analysis
For the Period Ended June 30, 2010
(Unaudited)**

**Table 3
Capital Assets**

	2010	2009
Furniture & Equipment	\$17,475	\$ -
Total Capital Assets	17,475	-
Less: Accumulated Depreciation	(498)	-
Total Net Capital Assets	\$16,977	-

Debt

At June 30, 2010 and 2009, the Academy had no outstanding debt.

Currently Known Facts

At this time there are no facts that would significantly affect the financial condition of the Academy.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Cesar Chavez College Preparatory Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Cesar Chavez College Preparatory Academy, 1111 Windsor Ave., Columbus, Ohio 43211.

**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

	<u>2010</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 67,522
Intergovernmental Receivables	<u>10,869</u>
Total Current Assets	<u>78,391</u>
Non-Current Assets	
Capital Assets - Net	<u>16,977</u>
TOTAL ASSETS	<u>95,368</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	2,328
Accrued Wages Payable	22,814
Intergovernmental Payable	<u>13,364</u>
Total Current Liabilities	<u>38,506</u>
TOTAL LIABILITIES	<u>38,506</u>
NET ASSETS	
Invested in Capital Assets	16,977
Unrestricted	<u>39,885</u>
TOTAL NET ASSETS	<u>\$ 56,862</u>

See accompanying notes to the financial statements.

**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
OPERATING REVENUES	
Foundation Payments	\$ 331,275
Total Operating Revenues	<u>331,275</u>
OPERATING EXPENSES	
Salaries & Wages	144,804
Fringe Benefits	21,662
Rent	55,400
Contracted Fiscal Services	20,972
Other Purchased Services	158,801
Materials and Supplies	40,778
Depreciation Expense	498
Other Expenses	224
Total Operating Expenses	<u>443,139</u>
Operating Loss	<u>(111,864)</u>
NON-OPERATING REVENUE	
State and Federal Grant Revenue	126,583
Total Non-Operating Revenues	<u>126,583</u>
Change in Net Assets	14,719
Net Assets, Beginning of Year	<u>42,143</u>
Net Assets, End of Year	<u><u>\$ 56,862</u></u>

See accompanying notes to the financial statements.

**CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Received from State Foundation	\$ 340,356
Cash Payments to Employees for Services and Benefits	(152,917)
Cash Payments to Suppliers for Goods and Services	<u>(273,847)</u>
Net Cash Used in Operating Activities	<u>(86,408)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received From Federal and State Grants	<u>136,319</u>
Net Cash Provided by Noncapital Financing Activities	<u>136,319</u>
Cash Flows from Capital and Related Financing Activities	
Capital Expenditures	<u>(17,475)</u>
Net Cash Used in Capital Financing Activities	<u>(17,475)</u>
Net Increase In Cash and Cash Equivalents	32,436
Cash and Cash Equivalents, Beginning of Year	35,086
Cash and Cash Equivalents, End of Year	<u><u>\$ 67,522</u></u>
Operating Loss	<u>\$ (111,864)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation Expense	498
Changes in Assets and Liabilities:	
Increase in Accounts Payable	2,328
Increase in Accrued Wages and Benefits	11,226
Increase in Intergovernmental Payable	<u>11,404</u>
Total Adjustments	<u>25,456</u>
Net Cash Used in Operating Activities	<u><u>\$ (86,408)</u></u>

See accompanying notes to the financial statements.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

1. Description of the School and Reporting Entity

Cesar Chavez College Preparatory Academy (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Richland Academy during the fiscal year ended June 30, 2010, and renews annually every June 30th unless cancelled by either party with 90 days notice.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. 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.

On June 23, 2008, the Academy and Educational Solutions Co. entered into a management contract. Under this contract, Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501(c)(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization.

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, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation, if any) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

2. Summary of Significant Accounting Policies (continued)
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B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its 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 difference between total assets and liabilities are defined as net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For purposes of the statement of cash flows, the Academy considers all investments having original maturities of 90 days or less as cash equivalents.

E. 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 does not possess any infrastructure. The Academy maintains a capitalization threshold of \$500. Improvements are capitalized. The cost 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.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

2. Summary of Significant Accounting Policies (continued)

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

<u>Description</u>	<u>Estimated Life</u>
Buildings	40 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	15 years

F. 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 these estimates.

G. Intergovernmental Revenues

The Academy is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which it is earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled \$331,275 for fiscal year 2010. Revenues associated with specific education grants from the state and federal governments totaled \$126,583 during fiscal year 2010.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation, if any.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

2. Summary of Significant Accounting Policies (continued)
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I. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2010, including:

Accounts payable — obligations incurred but unpaid prior to June 30, 2010.

Accrued wages payable — salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2010 contract.

Intergovernmental payable — payment for the employer's share of the retirement contribution, Medicare, and Workers' Compensation associated with services rendered during fiscal year 2010 that were paid in the subsequent fiscal year and the foundation adjustment due to the ODE review.

J. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, if any, consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the Academy at year-end represent unspent federal and state grant resources for specific instructional program. The Academy had no restricted net assets at June 30, 2010. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Accountability and Compliance

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

3. Accountability and Compliance (continued)

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

4. Deposits and Investments

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 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 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 had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

4. Deposits and Investments (continued)

At June 30, 2010, the carrying amount of the Academy's deposits was \$67,522 and the bank balance was \$75,324. Of the bank deposits, all were covered under FDIC. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

5. Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2010, the Academy contracted with Hanover Insurance Company for its insurance coverage as follows:

General Liability per occurrence	\$1,000,000
General Liability aggregate	\$2,000,000

Settlement amounts did not exceed coverage amounts in fiscal year 2010 or 2009 and there has been no significant reduction in coverage.

B. Employee Insurance Benefits

The Academy utilizes Anthem Blue Cross/Blue Shield, VSP, and Superior Dental to provide health, life, vision, and dental insurance benefits to Academy employees.

6. Defined Benefit Pension Plans

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a costsharing 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.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

6. Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2010, 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 2010, 12.74 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal year ended June 30, 2010 and 2009 were \$4,029 and \$4,571, respectively; 100 percent has been contributed for fiscal years 2010 and 2009.

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 (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan 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 DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the DC Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC Plan and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC Plan or Combined Plan. 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 DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

6. Defined Benefit Pension Plans (continued)

A DB Plan or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2010 and 2009 were \$13,267 and \$18,793, respectively; 100 percent has been contributed for fiscal years 2010 and 2009.

7. Postemployment Benefits

A. School Employee Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part b Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. The Academy has not yet been billed for any surcharge for fiscal year 2010.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

7. Postemployment Benefits (continued)

The Academy's contributions for health care for the fiscal years ended June 30, 2010 and 2009 were \$145 and \$1,518, respectively; 100 percent has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2010 were \$240. 100 percent has been contributed for fiscal year 2010.

B. State Teachers Retirement System

The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 respectively were \$1,021 and \$1,446, respectively. 100 percent has been contributed for fiscal years 2010 and 2009.

8. Contingencies

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at June 30, 2010.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and 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. This review resulted in a negative adjustment of \$9,081 for fiscal year 2010, which is included in the intergovernmental payable on the statement of net assets.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

8. Contingencies (continued)

C. Litigation

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

9. Contracted Fiscal Services

The Academy is a party to a fiscal services agreement with Hemphill & Associates (“H&A”), which is a certified public accounting company. The Agreement's term is for a twelve month period beginning July 1, 2009, and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that H&A will perform the following functions for the Academy:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.
2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource all support.

The total fee paid for these services during fiscal year 2010 was \$14,721.

10. Other Purchased Services

During the fiscal year ended June 30, 2010, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$117,374
Management Services	<u>41,427</u>
Total Purchased Services	<u><u>\$158,801</u></u>

11. Operating Lease

The Academy entered into a lease agreement for a building August 1, 2008 with J. Ashburn Youth Center. The lease expires July 31, 2011 at which time, it will automatically renew for an additional 3 years unless a 60 day written notice is provided by the Academy. Lease payments to the J. Ashburn Youth Center totaled \$55,400 for the fiscal year ended June 30, 2010.

Cesar Chavez College Preparatory Academy
Notes to the Basic Financial Statements
For the Period Ended June 30, 2010

11. Operating Lease (continued)
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This lease was renewed on September 1, 2010 for an additional three year period ending on August 31, 2014 at a cost of \$7,000 per month. The minimum future lease payments are as follows:

2011	\$ 70,000
2012	84,000
2013	84,000
2014	<u>14,000</u>
Total	<u>\$252,000</u>

12. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010:

	Balance 6/30/09	Additions	Disposals	Balance 6/30/10
Business-Type Activity:				
Capital Assets, Being Depreciated:				
Furniture, Fixtures and Equipment	\$ -	\$ 17,475	\$ -	\$ 17,475
Total Capital Assets, Being Depreciated	-	17,475	-	17,475
Less: Accumulated Depreciation:				
Furniture, Fixtures and Equipment	-	(498)	-	(498)
Total Accumulated Depreciation	-	(498)	-	(498)
Total Capital Assets Being Depreciated, Net	\$ -	\$ 16,977	\$ -	\$ 16,977



Julian & Grube, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Cesar Chavez College Preparatory Academy
1132 Windsor Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the basic financial statements of the Cesar Chavez College Preparatory Academy, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Cesar Chavez College Preparatory Academy's basic financial statements and have issued our report thereon dated December 24, 2010. 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 Cesar Chavez College Preparatory Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Cesar Chavez College Preparatory Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Cesar Chavez College Preparatory Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Cesar Chavez College Preparatory Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

Board of Directors
Cesar Chavez College Preparatory Academy

We intend this report solely for the information and use of management and the Board of Directors of the Cesar Chavez College Preparatory Academy. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the company.

Julian & Grube, Inc.
December 24, 2010



Dave Yost • Auditor of State

CESAR CHAVEZ COLLEGE PREPARATORY ACADEMY

FRANKLIN 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 15, 2011**