



Dave Yost • Auditor of State

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

To the Governing Board:

We have audited the accompanying basic financial statements of the Achieve Career Preparatory Academy, Lucas County, Ohio (the School), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School'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 basic financial statements referred to above present fairly, in all material respects, the financial position of Achieve Career Preparatory Academy, Lucas County, Ohio as of June 30, 2011, 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 March 16, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic

financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 16, 2012

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of Achieve Career Preparatory Academy (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and 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 new reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets were \$156,753 in 2011.
- Total assets were \$384,963 in 2011.
- Liabilities were \$228,210 in 2011.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets (deficit), a statement of revenues, expenses, and changes in net assets (deficit), and a statement of cash flows.

Statement of Net Assets (Deficit)

The statement of net assets (deficit) answers the question, "How did we do financially during 2011?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table I provides a summary of the Academy's net assets for fiscal year 2011 and 2010:

TABLE I	For the years ended	
	June 30, 2011	June 30, 2010
Assets		
Current Assets	\$ 137,506	\$ 435,031
Non-Current Assets	247,457	79,660
Total assets	384,963	514,691

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Liabilities		
Current Liabilities	<u>228,210</u>	<u>158,734</u>
Total liabilities	<u>228,210</u>	<u>158,734</u>
Net Asset		
Invested in capital assets	218,290	50,493
Unrestricted	<u>(61,537)</u>	<u>305,464</u>
Total net assets	<u><u>\$ 156,753</u></u>	<u><u>\$ 355,957</u></u>

Total net assets for the Academy decreased \$199,204 primarily to an increase in accrued wage liability and decrease in intergovernmental receivables. Cash was \$342. Intergovernmental receivables were reduced by \$293,443 due to reduced Federal Grant carryovers. Accrued wages increased by \$55,078 due to increased staff in the Academy's second year of operation.

Table 2 shows the changes in net assets for fiscal year 2011 and 2010, as well as a listing of revenues and expenses.

TABLE 2	For the years ended	
	June 30, 2011	June 30, 2010
Operating Revenues		
Foundation Payments	\$ 1,779,304	\$ 1,652,295
Food Services		207
Other	2,158	204
Non-Operating Revenues		
Federal Grants	690,703	603,149
State Grants	7,900	5,000
Other	<u>26,108</u>	<u>928</u>
Total revenue	2,506,173	2,261,783
Operating Expenses		
Purchased Services	2,332,066	1,746,243
Materials and Supplies	288,235	112,182
Depreciation	44,525	7,670
Other	35,546	31,009

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Non-Operating Expenses		
Interest and Fiscal Charges	5,005	8,651
Loss of Sale of Fixed Assets		71
Total expenses	2,705,377	1,905,826
Change in Net Assets	\$ (199,204)	\$ 355,957

Foundation payments increased by \$127,009 mainly due to an increased number of students. Purchased Services increased by \$585,823, mostly due to increased staffing levels. Materials and supplies increased by \$176,053 due to increased students and staffing levels.

Capital Assets

At the end of fiscal year 2011, the Academy had \$218,290 invested in capital assets (net of depreciation). Table 3 shows capital assets (net of depreciation) for fiscal years 2011 and 2010.

TABLE 3

	2011	2010
Furniture, fixtures and equipment	\$ 61,322	\$ 35,694
Leasehold Improvements	156,968	14,799
Totals	\$ 218,290	\$ 50,493

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

Current Financial Issues

Achieve Career Preparatory Academy was formed in 2009. During the 2010-2011 school year there were 248 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2011 amounted to \$1,779,304.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Achieve Career Preparatory Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 342
Intergovernmental Receivables	110,667
Prepaid Items	26,497
Total Current Assets	<u>137,506</u>

Non-Current Assets:

Security Deposits	29,167
Depreciable Capital Assets, Net	218,290
Total Non-Current Assets	<u>247,457</u>

Total Assets	<u>384,963</u>
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Liabilities

Current Liabilities:

Accounts Payable	32,195
Accrued Wages Payable	110,289
STRS-SERS Payable	12,294
Contracts Payable	73,432
Total Current Liabilities	<u>228,210</u>

Net Assets

Invested in Capital Assets	218,290
Unrestricted	<u>(61,537)</u>
Total Net Assets	<u>\$ 156,753</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Operating Revenues	
Foundation Payments	\$ 1,779,304
Other Revenues	<u>2,158</u>
Total Operating Revenues	<u>1,781,462</u>
Operating Expenses	
Purchased Services	2,332,066
Materials and Supplies	288,235
Depreciation	44,525
Other	<u>35,546</u>
Total Operating Expenses	<u>2,700,372</u>
Operating Loss	<u>(918,910)</u>
Non-Operating Revenues and Expenses	
Federal Grants	690,703
State Grants	7,900
Contributions and Donations	26,108
Interest and Fiscal Charges	<u>(5,005)</u>
Total Non-Operating Revenues and Expenses	<u>719,706</u>
Change in Net Assets	(199,204)
Net Assets Beginning of Year	<u>355,957</u>
Net Assets End of Year	<u><u>\$ 156,753</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 1,822,249
Cash Received from Other Operating Revenues	2,158
Cash Payments to Suppliers for Goods and Services	<u>(2,581,207)</u>
Net Cash Used for Operating Activities	<u>(756,800)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal Grants Received	934,730
State Grants Received	7,900
Contributions and Donations	26,108
Proceeds from Notes	300,000
Principal Payments	(300,000)
Interest Payments	(5,005)
Proceeds of Short Term Loans	3,620
Repayment of Short-Term Loans	<u>(6,620)</u>
Net Cash Provided by Noncapital Financing Activities	<u>960,733</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(204,098)</u>
Net Decrease in Cash and Cash Equivalents	<u>(165)</u>
Cash and Cash Equivalents at Beginning of Year	<u>507</u>
Cash and Cash Equivalents at End of Year	<u>\$ 342</u>

(Continued)

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

Operating Loss	\$ (918,910)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	44,525
Changes in Assets and Liabilities:	
(Increase)/Decrease in Intergovernmental Receivable	43,145
(Increase)/Decrease in Prepaid Items	3,917
Increase/(Decrease) in Accounts Payable	8,160
Increase/(Decrease) in Accrued Wages Payable	55,078
Increase/(Decrease) in STRS-SERS Payable	18,564
Increase/(Decrease) in Contracts Payable	<u>(11,279)</u>
Total Adjustments	<u>162,110</u>
Net Cash Used by Operating Activities	<u><u>\$ (756,800)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Achieve Career Preparatory Academy (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 102. The School's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The School's programs are currently available to students in grades 9 – 12. The School, 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 School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing May 8, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five 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 School's instructional/support facility staffed by twelve certificated teaching personnel and sixteen non-certificated personnel who provide services to 248 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the School's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee. (See Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School 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 School's accounting policies are described below.

A. Basis of Presentation

The School'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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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 provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the School 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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 School's contract with its Sponsor. The contract between the School 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 Cash Equivalents

All monies received by the School are maintained in a bank account in the School's name. Monies for the School are maintained in this account or temporarily used to purchase short-term investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which the services are consumed.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000 for furniture and equipment, land, and buildings, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application is also capitalized. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land 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:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

H. Security Deposit

The School entered into a lease for the use of the building for the operation of the School. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. The deposit totaled \$29,167 and is held by the lessor.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Operating Revenues and Expenses

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

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.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS

The School has designated one bank for the deposit of its funds. The School's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the School has not adopted a formal investment policy. The School's cash is not subject to custodial credit risk.

4. RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, local revenue and refunds. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Title I	67,386
Title I ARRA	21,419
Title IIa	848
Race to the Top	2,389
Special Ed	2,648
National School Lunch Program - Breakfast	1,371
National School Lunch Program - Lunch	10,659
Charter School Grant	3,947
Total Intergovernmental Receivables	<u><u>\$ 110,667</u></u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/11</u>
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$ 40,478	\$ 59,258		\$ 99,736
Leasehold Improvements	17,657	153,064		170,721
Total Capital Assets				
Being Depreciated	<u>58,135</u>	<u>212,322</u>		<u>270,457</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(4,784)	(33,630)		(38,414)
Leasehold Improvements	(2,858)	(10,895)		(13,753)
Total Accumulated Depreciation	<u>(7,642)</u>	<u>(44,525)</u>		<u>(52,167)</u>
Capital Assets, Net of A/D	<u><u>\$ 50,493</u></u>	<u><u>\$ 167,797</u></u>		<u><u>\$ 218,290</u></u>

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The School 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. During fiscal year 2011, the School contracted with Philadelphia Insurance Company for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educational Errors and Omissions:	
Part 1, D&O Liability	\$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	2,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal and ADV Injury	1,000,000
Vehicle	1,000,000
Property:	
BI	100,000
Umbrella:	3,000,000

B. Workers' Compensation

The School pays the State Worker's 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.

7. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School 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.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81% 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 by the SERS' Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS – (CONTINUED)

the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011 and 2010 were \$22,128 and \$19,868 respectively; 100% has been contributed for all years.

State Teachers Retirement System of Ohio

The School 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 % of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB 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 of the DC Plan 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, 2011, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011 and 2010 were \$103,329 and \$62,207 respectively; 100% has been contributed for all years.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS

School Employee Retirement System

The School 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% 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, 1.43% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. The surcharge for 2011 was \$2,351.

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.

The School's contributions for health care for the fiscal years ended June 30, 2011 and 2010 were \$2,679 and \$715 respectively. 100% has been contributed for all years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76% of the covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011 and 2010 were \$1,424 and \$1,182 respectively. 100 % has been contributed for all years.

State Teachers Retirement System

The School 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 2010, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011 and 2010 were \$7,948 and \$5,016 respectively. 100% has been contributed for all years.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. CONTINGENCIES

A. Grants

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2011.

B. Ohio Department of Education Enrollment Review

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 of the State, upon which state foundation funding is calculated. For fiscal year 2011, the review resulted in an increase in funding of \$4,574.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	\$ 1,032,874
Fringe Benefits	350,891
Repairs and maintenance	16,175
Legal	129
Advertising	19,915
Buckeye Community Hope Foundation	53,305
The Leona Group, LLC.	297,571
Cleaning Services	4,336
Communications	13,285
Other professional services	129,438
Contracted food services	87,674
Other rentals and leases	9,330
Building lease agreements	260,000
Pupil transportation	57,143
Total Purchased Services	<u><u>\$ 2,332,066</u></u>

11. OPERATING LEASES

The School has entered into a lease for the period July 1, 2009 through June 30, 2014 with MFB Hamilton Properties, Ltd.. Payments made totaled \$220,480 for the fiscal period.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2011.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. OPERATING LEASES – (CONTINUED)

Fiscal Year Ending	Facility Lease
2012	300,000
2013	340,000
2014	357,360
Total minimum lease payments	\$ 997,360

12. NOTES PAYABLE

Debt activity during 2011 was as follows:

	Balance at 06/30/10	Additions	Reductions	Balance at 06/30/11
Note Payable		\$ 300,000	\$ 300,000	

The School entered into a loan agreement with Charter One Bank on August 9, 2010 with a maturity date of June 30, 2011. This agreement provided the School with \$300,000 for operations of the School. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The School entered into a ten year, two month contract, effective May 8, 2009 through June 30, 2019, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the School. In exchange for its services, TLG receives a capitation fee of 12% of the gross revenue. The amount paid to TLG for fiscal period 2011 totaled \$314,213. Terms of the contracts require TLG to provide the following:

- A. implementation and administration of the Educational Program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the School;
- E. the provision of food service for the School; and
- F. any other function necessary or expedient for the administration of the School.

Also, there are expenses that are billed to the School based on the actual costs incurred for the School by The Leona group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the School, and other costs related to providing educational and administrative services.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT – (CONTINUED)

For the year ended June 30, 2011, those expenses are as follows:

Expenses	2011
Salaries and Wages	\$1,032,874
Employee Benefits	350,891
Professional and Technical Service	29,080
Advertising	1,058
Communications	1,828
Contracted Craft or Trade Services	1,373
Other Supplies	8,600
Other Direct Costs	2,302
Total Expenses	\$1,428,006

At June 30, 2011, the School had payables to The Leona Group, LLC in the amount of \$73,432. The following is a schedule of payables to The Leona Group, LLC.:

	<u>Amount</u>
Management Fee	16,589
Payroll	49,506
Miscellaneous	<u>7,337</u>
Total Expenses	<u>\$ 73,432</u>

14. SUBSEQUENT EVENT

The School entered into a loan agreement with RBS Citizens NA Bank on September 7, 2011 with a maturity date of June 30, 2012. This agreement provided the School with \$200,000 for operations of the School. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program	10.555	\$ 77,709	\$ 77,709
School Breakfast Program	10.553	11,173	11,173
TOTAL U.S. DEPARTMENT OF AGRICULTURE		88,882	88,882
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I Cluster:</u>			
ARRA - Title I Grants to Local Educational Agencies	84.389	115,523	124,409
Title I Grants to Local Educational Agencies	84.010	243,296	246,754
Total Title I Grants to LEA Cluster		358,819	371,163
Special Education Grants to States	84.027	103,230	91,117
Education Technology State Grant	84.318	1,671	1,797
Improving Teacher Quality State Grants	84.367	3,378	4,068
ARRA - Race to the Top	84.395	6,186	8,215
Public Charter Schools Program	84.282	221,053	224,661
ARRA - Education Stabilization Grant	84.394	151,511	151,511
TOTAL U.S. DEPARTMENT OF EDUCATION		845,848	852,532
Total		\$ 934,730	\$ 941,414

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF FEDERAL RECEIPTS AND EXPENDITURES

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Achieve Career Preparatory Academy's (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

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Dave Yost • Auditor of State

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

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

To the Governing Board:

We have audited the basic financial statements of Achieve Career Preparatory Academy, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2011 and have issued our report thereon dated March 16, 2012. 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 School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School'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 School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant

Achieve Career Preparatory 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

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*.

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 16, 2012.

We intend this report solely for the information and use of management, Governing Board, the Community School's sponsor, federal awarding agencies, pass-through entities, and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 16, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Boulevard
Toledo, Ohio 43602

To the Governing Board:

Compliance

We have audited the compliance of Achieve Career Preparatory Academy, Lucas County, Ohio (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with these requirements.

In our opinion, Achieve Career Preparatory Academy, Lucas County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal

programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 16, 2012.

We intend this report solely for the information and use of the audit committee, management, Governing Board, the Community School's sponsor, others within the School, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 16, 2012

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster: <ul style="list-style-type: none"> • Title I Grants to Local Agencies - CFDA # 84.010 • ARRA Title I Grants to Local Educational Agencies - CFDA # 84.389 Charter Schools Program – CFDA # 84.282
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Achieve Career Preparatory Academy
Lucas County
301 Collingwood Blvd.
Toledo, Ohio 43604

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Governing Board, solely to assist the Governing Board in evaluating whether Achieve Career Preparatory Academy, Lucas County (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the School amended its anti-harassment policy at its meeting on May 6, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governing Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 16, 2012

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www.auditor.state.oh.us



Dave Yost • Auditor of State

ACHIEVE CAREER PREPARATORY 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
MARCH 29, 2012**