



Dave Yost • Auditor of State

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the Central Academy of Ohio, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 the Central Academy of Ohio, Lucas County, Ohio, as of June 30, 2012, and the changes in financial position and its cash flows, thereof 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 April 26, 2013, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

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

April 26, 2013

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of the Central Academy of Ohio's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were \$76,996.
- Total Liabilities were \$1,119,919.
- Total Change in Net Assets was (\$301,520).

Using this Annual Financial Report

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

Reporting the Academy as a Whole

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

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

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

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2012?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2012 compared to 2011:

Table 1 Net Assets		
	2012	2011
Assets		
Current Assets	\$ 67,371	\$ 50,294
Non-Current Assets	9,625	
Total Assets	76,996	50,294
Liabilities		
Current Liabilities	1,119,919	791,697
Total Liabilities	1,119,919	791,697
Net Assets		
Invested in Capital Assets	9,625	
Restricted	57,028	
Unrestricted Deficit	(1,109,576)	(741,403)
Total Net Assets	\$ (1,042,923)	\$ (741,403)

Total assets totaled \$76,996. Cash and cash equivalents amounted to \$804. Intergovernmental Receivables amounted to \$57,028, consisting primarily of receivables from Federal Title Money.

The most significant liabilities were payable to Global Educational Excellence, the Management Company in the amount of \$1,047,694.

The (\$1,109,576) deficit in unrestricted net assets represents the accumulated results of the past year's operations. Since the unrestricted net assets balance is a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2012 compared to 2011:

	Change in Net Assets	
	2012	2011
Revenues		
Operating Revenues:		
Foundation Payments	\$ 966,298	\$ 356,271
Classroom Fees		545
Other Operating Revenues	7,667	13,645
Non-Operating Revenues:		
Federal Grants	195,605	136,071
Total Revenues	1,169,570	506,532
Expenses		
Operating Expenses		
Purchased Services	1,469,715	730,223
Depreciation	1,375	
Total Expenses	1,471,090	730,223
Change in Net Assets	(301,520)	(223,691)
Beginning Net Assets	(741,403)	(517,712)
Ending Net Assets	\$(1,042,923)	\$ (741,403)

During the 2011-2012 school year, there were approximately 145 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2012 amounted to \$5,703 per student.

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

Most expenses are purchased services. Per contract, the Academy remits most of its revenue to Global Educational Excellence, the Management Company, which incurs costs on behalf of the Academy to provide instruction and other costs. See Note 9 for more detail.

Capital Assets

As of June 30, 2012, the Academy purchased a school bus for \$11,000 to be used for student transportation, which was the only capital asset addition. No major capital projects are planned for the 2012-2013 fiscal year.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Current Financial Issues

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 82% percent of revenue is from the foundation allowance and federal operating grant funds. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue is not known.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 419-475-6620.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 804
Prepaid Assets	9,539
Intergovernmental Receivables	57,028
Total Current Assets	<u>67,371</u>

Non-Current Assets:

Capital Assets, Net of Accumulated Depreciation	<u>9,625</u>
Total Assets	<u>76,996</u>

Liabilities:

Current Liabilities

Accounts Payable	29,568
Accounts Payable to Global Educational Excellence	1,047,694
Intergovernmental Payable	42,657
Total Current Liabilities	<u>1,119,919</u>

Net Assets:

Invested in Capital Assets	9,625
Restricted	57,028
Unrestricted Deficit	<u>(1,109,576)</u>
Total Net Assets	<u><u>(1,042,923)</u></u>

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Operating Revenues:

Foundation Payments	\$ 966,298
Other Operating Revenues	7,667
Total Operating Revenues	<u>973,965</u>

Operating Expenses:

Purchased Services	1,469,715
Depreciation	1,375
Total Operating Expenses	<u>1,471,090</u>
Operating Loss	<u>(497,125)</u>

Non-Operating Revenues:

Operating Grants- Federal	195,605
Change in Net Assets	<u>(301,520)</u>
Net Assets Beginning of Year	<u>(741,403)</u>
Net Assets End of Year	<u>\$ (1,042,923)</u>

See Accompanying Notes to the Basic Financial Statements

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR, ENDED JUNE 30, 2012

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 961,999
Cash Received from SERS	6,277
Cash Received from other Operating Sources	7,667
Cash Payments to Suppliers for Goods and Services	<u>(1,119,492)</u>
Net Cash Used for Operating Activities	<u>(143,549)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants- Federal	144,796
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Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	(11,000)
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Net Decrease in Cash and Cash Equivalents (9,753)

Cash and Cash Equivalents at Beginning of Year 10,557

Cash and Cash Equivalents at End of Year \$ 804

(Continued)

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR, ENDED JUNE 30, 2012
(Continued)**

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

Operating Loss	\$	(497,125)
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**Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities:**

Depreciation		1,375
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Increase in Intergovernmental Receivables		(13,439)
Increase in Prepaid		(9,539)
Increase (Decrease) in Liabilities:		
Increase in Accounts Payable		19,467
Increase in Accounts Payable to Global Educational Excellence		332,309
Increase in Intergovernmental Payable		23,403
		<hr/>
Total Adjustments		353,576
Net Cash Used for Operating Activities	\$	<hr/> <hr/> (143,549)

See Accompanying Notes to the Basic Financial Statements

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

The Academy has a renewal charter agreement under the oversight of Ohio Council of Community Schools (OCCS) for a period of ten years commencing July 01, 2012 and ending June 30, 2022. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3% percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a five member board of directors. The board of directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by five noncertified and three certified full-time teaching personnel who provide services to 145 students.

The governing board has entered into a management contract with Global Educational Excellence to provide consulting services, including teacher training, curriculum development, financial management, and state relations. (See Note 9).The agreement with management has been extended thru term of Sponsor contract ending June 30, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, 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.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of revenues, expenses, and 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 Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705.391; the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction, unless specifically provided in the contract between the academy and its sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

E. Cash and Cash Equivalents

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

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

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

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

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

H. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses which are due but unpaid as of June 30, 2012, including accounts payable, amounts payable to the Management Company, Global Educational Excellence and Intergovernmental Payables.

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 Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The Academy 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 Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

K. Intergovernmental Revenue

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

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

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

L. Estimates

The preparation of financial statements in conformity with 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.

NOTE 3 - DEPOSITS

At June 30, 2012, the carrying amount of the Academy's deposits was \$804 and the bank balance was \$804. As of June 30, 2012, the bank balance was fully covered by the Federal Deposit Insurance Corporation.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental receivables for reimbursements of Title Money for federal related expenditures. All receivables are considered collectable in full and are expected to be received within one year.

Intergovernmental Receivables consist of Federal Title Money in the amount of \$57,028.

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2012, the Academy obtained insurance through broker Sterling Agency with the following insurance coverage:

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - RISK MANAGEMENT – (Continued)

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	2,000,000
Educators Professional Liability	
Per Occurrence	1,000,000
Aggregate	1,000,000
Business Personal Property	220,000
Excess Liability:	
Limits of Liability	3,000,000

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

B. Workers' Compensation

The Academy pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Funding Policy Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$20,766, \$9,935, and \$20,774, respectively, which equaled the required contributions each year.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLANS – (Continued)

Employer Contribution Allocation (% of Payroll)			
	FY2012	FY2011	FY2010
Pension	12.65	11.77	12.74
Death	.05	.04	.04
Pension Total	12.70	11.81	12.78
Medicare B	.75	.76	.76
Health Care	.55	1.43	.46
OPEB Total	1.30	2.19	1.22
Total Contribution	14.00	14.00	14.00

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLANS – (Continued)

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$52,519, \$25,729, and \$14,668, respectively; 85% percent has been contributed for fiscal years 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The Academy's contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,112, \$639, and \$1,235, respectively, which equaled the required contributions each year.

Health Care Plan ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS – (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$816, 1,203, and \$748, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, 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 year ended June 30, 2012, 2011, and 2010 were \$3,751, \$1,159, and \$1,979, respectively. For fiscal year 2012, 85% has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

NOTE 8 - OTHER EMPLOYEE BENEFITS

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

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT

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

- A. **Responsibility.** Contractor shall be responsible, and accountable to the Board, for the administration, operation and performance of the Academy, in accordance with appropriate sections of the law and the Contract. Contractor shall use its best efforts to perform the obligations and responsibilities of the Academy under the law and the Contract on behalf of the Academy or to assist the Academy in performing those obligations and responsibilities. Nothing in this Agreement shall be construed to prevent the Board from exercising its statutory, contractual or fiduciary responsibilities or from setting policies governing the operation of the Academy. Decisions made by the Contractor which by law or the Contract must be made by the Board in compliance with the Ohio Open Meetings Act shall not be binding on the Academy and its Board.

- B. **Educational Program.** The educational program and the program of instruction shall be designed by Contractor in accordance with the Contract, and may be adapted and modified from time to time with prior Board approval, it being understood that an essential principle of a successful, effective educational program is its flexibility, adaptability, and capacity to change in the interest of continuous improvement and efficiency, and that the Board and Contractor are interested in results and not in inflexible prescriptions. Notwithstanding the foregoing, the Board shall have the right to approve material changes to the educational program and programs of instruction necessitated by the failure of the Academy to meet the goals identified in the Contract or otherwise abide by the terms of the Contract. The parties acknowledge that changes to the educational program may require an amendment to the Contract prior to implementation.

As between the parties, all intellectual property, proprietary information or other rights in or to any curriculum, educational materials or teaching techniques developed by Contractor for the Academy shall be the property of the Academy and shall be subject to disclosure under the law and the Ohio Freedom of Information Act unless specifically exempt.

- C. **Strategic Planning.** Contractor shall design strategic plans for the continuing educational and financial benefit of the Academy.

- D. **Public Relations.** Contractor shall design an ongoing public relations strategy for the development of beneficial and harmonious relationships with other organizations and the community, for implementation by the Academy as Board. Marketing and development costs paid by or charged to the Academy shall be limited to those costs specific to the Academy program, and shall not include any costs for the marketing and development of the Contractor or any Academy managed by the Contractor.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT – (Continued)

- E. **Specific Functions.** Contractor shall be responsible for the management, operation, administration, and provision of educational and custodial activities at the Academy. Such functions may include, but are not limited to:
1. implementation and administration of the Educational Program, including the recommendation and acquisition of instructional materials, equipment and supplies (subject to the right of the Board to approve text books), and the administration of any and all extra and co-curricular activities and programs as approved by the Academy Board;
 2. management of all personnel functions, including professional development for the Principal, all instructional personnel and other staff, and the personnel functions outlined in Article I;
 3. maintenance and operation of the school building and installation of technology for educational or operational purposes;
 4. all aspects of the business administration of the Academy;
 5. all business, educational, and community partnering programs;
 6. all strategic planning;
 7. all fund raising and grant development programs and strategies;
 8. public relations programs, strategies and events;
 9. any other function necessary or expedient for the administration of the Academy, or as may be required under the law, the Contract, or by OCCS.
 10. Contractor and the Board acknowledge that the school building is currently leased and that the Board Liaison will be responsible for compliance with the tenant's obligations thereunder, the expense of which shall be borne by the Board. Contractor shall identify to the Board Liaison those tenant obligations it performs on behalf of the Academy. The parties acknowledge that nothing contained herein shall affect the respective obligations of the landlord and tenant under the lease of the school building.
- F. **Subcontracts.** Contractor reserves the right to subcontract, with Academy Board approval, any and all aspects of all other services it agrees to provide to the Academy, including, but not limited to transportation and/or food service.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT – (Continued)

- G. **Place of Performance.** Contractor reserves the right to perform functions other than instruction, such as purchasing, professional development and administrative functions, off-site, unless prohibited by state or local law.
- H. **Materials Purchased.** All equipment, materials and supplies purchased by Contractor on behalf of the Academy shall be property of the Academy. If Contractor purchases equipment, material and supplies for the Academy, it shall comply with state law as if the Academy were making all such purchases directly.
- I. **Student Recruitment.** Contractor and the Board shall be jointly responsible for the recruitment of students, subject to the Board's direction on general recruitment and admission policies and the Contract. Application by or for students shall be voluntary, and shall be in writing. Students shall be selected in accordance with the procedures set forth in the Contract and in compliance with state law and other applicable law.
- J. **Due Process Hearings.** Contractor shall provide student due process hearings in conformity with the requirements of state and federal law regarding discipline, special education, confidentiality and access to record, consistent with the Academy's own obligations and policy.
- K. **Legal Requirements.** Contractor shall provide educational programs that meet federal, state, and local laws and regulations, and the requirements imposed under the law and the Contract, unless such requirements are or have been waived.
- L. **Rules and Procedures.** Contractor shall recommend reasonable rules, regulations, and procedures applicable to the Academy and is authorized and directed to enforce those rules, regulations and procedures adopted by the Academy Board.
- M. **School Year and School Day.** Contractor shall establish the calendar for the school year and the school day, subject to the requirements under law and as determined annually by the Board.
- N. **Additional Grades and Student Population.** Contractor shall make recommendations to the Board concerning limiting, increasing, or decreasing the number of grades offered and the number of students served per grade or in total, within the limits provided for by the Contract. In the event the Board seeks to expand the Academy to a new grade level, the Board shall involve Contractor in such efforts as early as possible.
- O. **Material Breach of Agreement.** Failure of Contractor to reasonably perform these functions, unless prevented from doing so by the Academy, its Board or circumstances beyond Contractor's control, shall be considered a material breach of this Agreement.

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - MANAGEMENT AGREEMENT – (Continued)

For the year ended June 30, 2012, Global Educational Excellence Management Company incurred the following expenses on behalf of the Academy:

Salaries and Wages	\$	551,041
Employee Benefits		152,515
Professional and Technical Services		133,803
Property Services		109,047
Travel Mileage/Meeting Expense		2,296
Communications		15,905
Utilities		42,608
Contracted Craft or Trade Services		66,391
Food & Related Supplies		64,563
Other Supplies		42,290
Bus Depreciation		1,375
Interest		16,198
Dues and Fees		60,688
Other Direct Costs		48,298
Total	\$	<u>1,307,016</u>

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - PURCHASED SERVICES

For the year ended June 30, 2012, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries and Wages	\$	551,041
Employee Benefits		225,800
Professional and Technical Services		133,803
Property Services		199,824
Travel Mileage/Meeting Expense		2,296
Communications		15,905
Utilities		42,608
Contracted Craft or Trade Services		66,391
Food & Related Supplies		64,563
Other Supplies		42,290
Interest		16,198
Dues and Fees		60,700
Other Direct Costs		48,296
Total Purchased Services	<u>\$</u>	<u>1,469,715</u>

NOTE 11 - OPERATING LEASES – LESSEE DISCLOSURE

The Academy moved to a new location at 2727 Kenwood, Toledo, Ohio 43606 and entered into an extended lease for the period August 1, 2010 through July 31, 2015, with Central Academy of Toledo LLC, with lease terms of 13% of the annual per pupil enrollment grant amount received, but in no event less than 75 students per year. The expense under the new lease for the Academy totaled \$90,778 with rent of \$3,778 recognized as Accounts Payable at June 30, 2011.

NOTE 12 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/12</u>
Capital assets being depreciated:				
Vehicles	\$ _____	\$ 11,000	\$ _____	\$ 11,000
Total capital assets, being depreciated	_____	11,000	_____	11,000
Less: accumulated depreciation				
Vehicles	_____	(1,375)	_____	_____
Total accumulated depreciation	_____	(1,375)	_____	_____
Capital assets, net	<u>\$ _____</u>	<u>\$ (9,625)</u>	<u>\$ _____</u>	<u>\$ 9,625</u>

**CENTRAL ACADEMY OF OHIO
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 – CONTINGENCIES

A. Grants

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of included herein or on the overall financial position of the Academy at June 30, 2012.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Academy leases it's building from the Central Academy of Toledo. Mohamed Issa is a part owner of the Central Academy of Toledo and President of Global Educational Excellence (the Management Company). The Academy has paid \$87,000 during fiscal year 2012 and has a remaining liability of \$3,778 to Central Academy of Toledo for fiscal year 2012.

NOTE 15 – MANAGEMENT PLAN

The Academy had an operating loss of \$497,125 and deficit net assets of \$1,042,923 at June 30, 2012. Management intends to eliminate these deficits by increasing enrollment and improving operating efficiencies, in addition to paying down the Academy's \$1,047,694 Liability with Global Educational Excellence.



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*

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

To the Governing Board:

We have audited the financial statements of the Central Academy of Ohio, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting 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 Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 26, 2013.

We intend this report solely for the information and use of the Board of Directors, management, and the Academy's sponsor and others within the Academy. 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, flowing style.

Dave Yost
Auditor of State

April 26, 2013



Dave Yost • Auditor of State

CENTRAL ACADEMY OF OHIO

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 28, 2013**