



Dave Yost • Auditor of State

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

North Central Academy
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Academy, Seneca County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central Academy, Seneca County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the Academy adopted the provisions of Governmental Accounting Standard No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 12, 2014

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The management's discussion and analysis of North Central Academy's (the "Academy"), formerly known as the North Central Academy – Fremont, financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. 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 the financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position was \$341,645 at June 30, 2013.
- The Academy had operating revenues of \$786,480, operating expenses of \$933,567 and non-operating revenues of \$66,438 during fiscal year 2013. The total change in net position for the year was a decrease of \$80,649.

Using these Basic Financial Statements

This annual report consists of three parts, management's discussion and analysis, the financial statements and the notes to the financial statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net position and the Statement of Cash Flows

These documents look at all financial transactions to determine how well the Academy has performed financially through June 30, 2013. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's *net position* and changes in that position. This change in net position tells the reader whether, for the Academy's as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The table below provides a summary of the Academy's net position for fiscal years 2013 and 2012.

	Net Position	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 164,233	\$ 194,464
Capital assets, net	<u>177,412</u>	<u>241,047</u>
 Total assets	 <u>341,645</u>	 <u>435,511</u>
<u>Liabilities</u>		
Current liabilities	<u>-</u>	<u>13,217</u>
 Total liabilities	 <u>-</u>	 <u>13,217</u>
<u>Net Position</u>		
Invested in capital assets	177,412	241,047
Restricted	6,451	61,195
Unrestricted	<u>157,782</u>	<u>120,052</u>
 Total net position	 <u>\$ 341,645</u>	 <u>\$ 422,294</u>

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2013, the Academy's net position totaled \$341,645.

Current assets represent cash held in a depository account.

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The table below shows the changes in net position for fiscal years 2013 and 2012.

Change in Net Position

	2013	2012
<u>Operating Revenues:</u>		
State foundation	\$ 671,170	\$ 566,069
Special education	110,240	74,606
Sales / charges for services	2,348	1,562
Other	2,722	9,667
Total operating revenue	786,480	651,904
<u>Operating Expenses:</u>		
Purchased services	763,531	547,979
Materials and supplies	30,506	121,534
Other	70,555	49,855
Depreciation	68,975	96,225
Total operating expenses	933,567	815,593
<u>Non-operating Revenues:</u>		
Federal and State grants	65,662	245,346
Interest income	776	526
Total non-operating revenues	66,438	245,872
Income(Loss) before capital contributions	(80,649)	82,183
Capital contributions	-	111,809
Change in net position	(80,649)	193,992
Net position at beginning of period	422,294	228,302
Net position at end of period	\$ 341,645	\$ 422,294

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 91.62% of total operating and non-operating revenues during fiscal year 2013. Purchased services comprise 81.79% of operating expenses.

The increase in revenues relating to State foundation is primarily due to increased student enrollment to which foundation funding is tied.

The purchased services increased \$215,552 from fiscal year 2012. This increase can also be attributed to amount of students attributable to each fiscal year. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the "ESC"). With the increase in students to the Academy, many of the expenses, including personnel, were also increased.

The Academy's Federal and State grants consisted of the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, the Improving Teacher Quality Title II-A grant, and the public charter school grant. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Capital Assets

At June 30, 2013, Academy had \$177,412 invested in building improvements and furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

	<u>2013</u>	<u>2012</u>
<u>Capital assets, net of depreciation</u>		
Building improvements	\$ 1,093	\$ 1,968
Furniture, fixtures, and equipment	<u>176,319</u>	<u>239,079</u>
Total net assets	<u>\$ 177,412</u>	<u>\$ 241,047</u>

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. Fiscal year 2013 is the Academy's third year of operations as an at-risk school serving students in grades 6-12.

The primary challenge today is the uncertainty of future funding. The Public Charter School Program two year start-up grant concluded in fiscal year 2012. The Education Jobs fund provided one-time support for a .5 FTE licensed teacher in fiscal year 2012. Fiscal year 2013 was the first year that the Academy operated mainly on the foundation and special education weighted funding formulas. The fluctuation of the community school funding method, which bases monthly foundation payments on daily enrollment records of our "at-risk" students, makes it a constant challenge to meet the needs of our Academy.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC is the fiscal agent of the Academy and provides all personnel to the Academy under a purchased service contract. In addition, the Sponsor reserves the right to provide such additional local resources as are necessary to reasonably ensure the operational viability of the Academy, including but not limited to: staff, equipment, instructional materials, curriculum, transportation, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central 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 financial information contact Mandy G. France, Treasurer, North Central Academy, Fiscal Office, 333 East Center Street, Marion, Ohio 43302-4101.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:

Current assets:

Cash	\$ 164,233
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Non-current assets:

Depreciable capital assets, net	177,412
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Total assets	<u>341,645</u>
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Net position:

Investment in capital assets	177,412
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Restricted for:

Restricted for public school support	1,499
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Restricted for federal programs	1,041
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Restricted for other purposes	3,911
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Unrestricted	<u>157,782</u>
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Total net position	<u>\$ 341,645</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
State foundation	\$ 671,170
State foundation - special education	110,240
Sales/charges for services	2,348
Other	2,722
Total operating revenues	<u>786,480</u>
Operating expenses:	
Purchased services	763,531
Materials and supplies	30,506
Other	70,555
Depreciation	68,975
Total operating expenses	<u>933,567</u>
Operating loss	<u>(147,087)</u>
Non-operating revenues:	
Federal and state grants	65,662
Interest revenue	776
Total non-operating revenues	<u>66,438</u>
Change in net position	(80,649)
Net position at beginning of year	<u>422,294</u>
Net position at end of year	<u>\$ 341,645</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from State foundation	\$ 781,410
Cash received from sales/charges for services	2,348
Cash received from other operations	2,722
Cash payments for contractual services	(749,727)
Cash payments for materials and supplies	(31,316)
Cash payments for other expenses	(69,666)
Net cash used in operating activities	<u>(64,229)</u>
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	<u>78,503</u>
Cash flows used in capital and related financing activities:	
Acquisition of capital assets	<u>(5,340)</u>
Cash flows from investing activities:	
Interest received	<u>776</u>
Net increase in cash and cash equivalents	9,710
Cash and cash equivalents at beginning of year	154,523
Cash and cash equivalents at end of year	<u>\$ 164,233</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (147,087)
Adjustments:	
Depreciation	68,975
Changes in assets and liabilities:	
Decrease in prepayments	27,100
(Decrease) in accounts payable	(13,217)
Net cash used in operating activities	<u>\$ (64,229)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy (the "Academy"), formerly known as the North Central Academy – Fremont, is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of "at-risk" students aged 11-21 in grades 6-12. The Ohio Department of Education approved the Academy's name change on November 19, 2012. The Academy 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 was approved for sponsorship under contract resolution on May 14, 2010 with North Central Ohio Educational Service Center (the "Sponsor") for a period of two years commencing on July 1, 2010 with automatic renewals for successive one-year terms.

Pursuant to the Sponsor's authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor's assistant treasurer to serve as the Academy's fiscal officer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for fiscal year 2013 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic 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 upon the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. 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, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

Cash held by the Academy is reflected on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2013, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Depreciation is computed using the straight-line method. Building improvements and furniture, fixtures and equipment are depreciated over five years.

G. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position has been restricted for public school support, federally funded programs and other purposes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales/charges for services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenue

The Academy recently participated in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, the Improving Teacher Quality Title II-A grant, and the Public Charter School grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2013 was \$781,410. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2013 was \$65,662.

J. Estimates

The preparation of basic financial statements in conformity with GAAP 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.

K. Accrued Liabilities

Certain expenses due, but unpaid as of June 30, 2013, are reported as accrued liabilities on GAAP financial statements. The Academy had no accrued liabilities as of June 30, 2013.

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 3 - ACCOUNTABILITY - (Continued)

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2013, the carrying amount of the Academy's deposits was \$164,233. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the Academy's entire bank balance of \$166,379 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2013:

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - CAPITAL ASSETS - (Continued)

	Balance <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/13</u>
Capital assets, being depreciated:				
Building improvements	\$ 4,373	\$ -	\$ -	\$ 4,373
Furniture, fixtures and equipment	<u>337,831</u>	<u>5,340</u>	<u>-</u>	<u>343,171</u>
Total capital assets	<u>342,204</u>	<u>5,340</u>	<u>-</u>	<u>347,544</u>
 Accumulated depreciation:				
Building improvements	(2,405)	(875)	-	(3,280)
Furniture, fixtures and equipment	<u>(98,752)</u>	<u>(68,100)</u>	<u>-</u>	<u>(166,852)</u>
Total accumulated depreciation	<u>(101,157)</u>	<u>(68,975)</u>	<u>-</u>	<u>(170,132)</u>
 Capital assets, net	<u>\$ 241,047</u>	<u>\$ (63,635)</u>	<u>\$ -</u>	<u>\$ 177,412</u>

NOTE 6 - RECEIVABLES

The Academy did not have any intergovernmental receivables at June 30, 2013.

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and technical services	\$ 723,884
Property services	16,537
Travel and meetings	8,548
Communications	4,767
Pupil transportation	<u>9,795</u>
 Total	 <u>\$ 763,531</u>

NOTE 8 - RISK MANAGEMENT

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 contracted personnel; and natural disasters. For fiscal year 2013, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer.

NOTE 9 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 9 - CONTINGENCIES - (Continued)

audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable 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 Academy at June 30, 2013.

The Academy receives per pupil funding that is reported using the School Options Enrollment System. Each month the Ohio Department of Education uses the student information to adjust and validate the foundation funding of the school based on the current enrollment.

B. Litigation

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

C. State Foundation 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. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2014 as a result of the 2013 review which has yet to be completed.

NOTE 10 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$716,900 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2013.

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Dave Yost • Auditor of State

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

North Central Academy
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of North Central Academy, Seneca County, Ohio (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 12, 2014, wherein we noted the ESC implemented the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Columbus, Ohio

February 12, 2014



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURE

North Central Academy
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Directors:

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 Board, solely to assist the Board in evaluating whether North Central Academy, Seneca County, Ohio (the Academy) 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 Board amended its anti-harassment policy at its meeting on October 23, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 Board and the Academy'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

February 12, 2014

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Dave Yost • Auditor of State

NORTH CENTRAL ACADEMY

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 25, 2014**