



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Maritime Academy of Toledo  
Lucas County  
1000 Monroe Street  
Toledo, Ohio 43604

To the Governing Board:

We have audited the accompanying basic financial statements of the Maritime Academy of Toledo, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Maritime Academy of Toledo, for the year ended June 30, 2008, and the changes in its financial position and its cash flows for the period 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 1, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

April 1, 2009

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED JUNE 30, 2008  
UNAUDITED**

The discussion and analysis of Maritime Academy of Toledo's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

### **Financial Highlights**

Key financial highlights for the Maritime Academy of Toledo during fiscal year 2008 are as follows:

- Total net assets of the Academy decreased \$50,845 in fiscal year 2008. Ending net assets of the Academy were \$70,344 compared with \$121,189 at June 30, 2007.
- Total assets decreased \$11,055 from the prior year and total liabilities increased by \$39,790 during this same 12 month period.
- The Academy's operating loss for fiscal year 2008 was \$172,617 compared with an operating loss of \$348,243 reported for the prior year. Operating revenues increased by \$349,855 while operating expenses increased by \$174,229 over those reported for the prior year.

### **Using this Financial Report**

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

### **Statement of Net Assets**

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

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

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Table 1 provides a summary of the Academy's net assets for at June 30, 2008 compared to those reported for fiscal year 2007.

(Table 1)  
Net Assets

	2008	2007
<b>Assets</b>		
Current Assets	\$ 51,261	\$ 132,733
Security Deposits		3,000
Capital Assets, Net	89,160	15,743
<i>Total Assets</i>	<u>140,421</u>	<u>151,476</u>
<b>Liabilities</b>		
Current Liabilities	70,077	30,287
<i>Total Liabilities</i>	<u>70,077</u>	<u>30,287</u>
<b>Net Assets</b>		
Invested in Capital Assets	89,160	15,743
Restricted	5,779	88,407
Unrestricted	(24,595)	17,039
<i>Total Net Assets</i>	<u>\$ 70,344</u>	<u>\$ 121,189</u>

The total assets of the Academy decreased by \$11,055, which represents a 7.3 percent decrease, from total assets reported for fiscal year 2007. The current assets at the end of fiscal year 2008 were \$81,472 lower than the current assets balance at the end of fiscal year 2007.

Noncurrent assets increased by \$70,417 (376%) to \$89,160 during the 2008 fiscal year. Noncurrent financial assets for the Academy are comprised of security deposits and capital assets, net of accumulated depreciation.

Total liabilities of the Academy increased \$39,790 over those reported one year ago. The 131 percent increase was primarily due to an increase in accrued wages and benefits (from \$2,534 in fiscal year 2007 to \$22,167 in fiscal year 2008) and intergovernmental payables (from \$1,955 in fiscal year 2007 to \$12,394 in fiscal year 2008).

The total net assets reported for fiscal year 2008 declined by \$50,845. Unrestricted net assets decreased by \$41,634 to (\$24,595) while restricted net assets decreased by \$82,628 to \$5,779. Net assets invested in capital assets, net of related debt, increased by \$73,417 to \$89,160.



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to changes reported for fiscal year 2007.

(Table 2)  
Change in Net Assets

	2008	2007
<b>Operating Revenues:</b>		
Foundation Payments	\$ 513,911	\$ 187,194
Special Education	36,504	8,902
Classroom Fees	1,730	240
Interest	8	
Other	5,339	11,301
<i>Total Operating Revenues</i>	<u>557,492</u>	<u>207,637</u>
<b>Operating Expenses</b>		
Salaries	291,069	80,000
Fringe Benefits	56,845	19,043
Purchased Services	247,951	320,258
Materials and Supplies	102,777	132,969
Depreciation	21,044	1,686
Other Expenses	10,423	1,924
<i>Total Operating Expenses</i>	<u>730,109</u>	<u>555,880</u>
<b>Non-Operating Revenues and Expenses:</b>		
Federal Grants	90,516	466,432
State Grants	31,834	3,000
Contributions and Donations	2,700	
Other Non-Operating Expenses	(3,000)	
Interest and Fiscal Charges	(278)	
<i>Total Non-Operating Revenues over Expenses</i>	<u>121,772</u>	<u>469,432</u>
<i>Change in Net Assets</i>	<u>\$ (50,845)</u>	<u>\$ 121,189</u>

Total revenue increased \$5,473 for fiscal year 2008 compared with the prior fiscal year primarily due to increased revenue from foundation payments from the Ohio Department of Education directly related to an increase in student enrollment compared to the previous fiscal year.

Expenses reported for fiscal year 2008 were \$177,507 higher than expenses reported for fiscal year 2007 primarily due to increases in staff salaries and benefits.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2008, the Academy had \$89,160 invested in leasehold improvements and furniture, fixtures and equipment. There was a total of \$94,461 in purchases which met the Academy's capitalization threshold during the year. See Note 5 of the basic financial statements for additional details.

**Debt**

The Academy entered into a line of credit with David and Renee Marazon in the amount of \$10,000. The Academy paid them the amount of \$1,713.07 due on the 15<sup>th</sup> of every month beginning in January 2008, and continuing for six months, with an annual variable interest rate of Prime + .25% with the 6<sup>th</sup> month designated final payment to include outstanding principal and any outstanding interest as determined by the variable rate. The loan was paid in full at June 30, 2008. See Note 13 of the basic financial statements for additional details.

**Current Financial Issues**

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the Academy in 2009. Effective July 1, 2008, the Academy's new fiscal agent is Mangen & Associates, LLC. The fiscal agent for the audit period was the Lucas County Educational Service Center. The Academy's building lease was modified to include additional charges for the rental of office space, as well as for cleaning expenses. Lastly, the Academy is expected to continue to grow in both the number of students, as well as the number of support staff, as it enters its third year of operations, which will impact the Academy's funding, since the Academy receives the majority of its finances from state aid.

**Contacting the School**

This financial report is designed to provide a general overview of the finances of the Maritime Academy of Toledo and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Renee Marazon, Superintendent, 1000 Monroe Street, Toledo, Ohio, 43604.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**Assets**

Current Assets

Cash and Cash Equivalents	\$ 37,229
Intergovernmental Receivable	14,032
Total Current Assets	<u>51,261</u>

Non-Current Assets

Depreciable Capital Assets, Net	<u>89,160</u>
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Total Assets	<u>140,421</u>
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**Liabilities**

Current Liabilities

Accounts Payable	35,516
Accrued Wages and Benefits	22,167
Intergovernmental Payable	12,394
Total Liabilities	<u>70,077</u>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	89,160
Restricted for Grants	5,779
Unrestricted	<u>(24,595)</u>
Total Net Assets	<u>\$ 70,344</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE PERIOD ENDED JUNE 30, 2008**

<b>Operating Revenues</b>	
Foundation Payments	\$ 513,911
Special Education	36,504
Classroom Fees	1,730
Interest	8
Other Revenues	<u>5,339</u>
<i>Total Operating Revenues</i>	<u>557,492</u>
<b>Operating Expenses</b>	
Salaries	291,069
Fringe Benefits	56,845
Purchased Services	247,951
Materials and Supplies	102,777
Depreciation	21,044
Other	<u>10,423</u>
<i>Total Operating Expenses</i>	<u>730,109</u>
<i>Operating Loss</i>	<u>(172,617)</u>
<b>Non-Operating Revenues and Expenses</b>	
Operating Grants - Federal	90,516
Operating Grants - State	31,834
Contributions and Donations	2,700
Interest and Fiscal Charges	(278)
Other Non-Operating Expenses	<u>(3,000)</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>121,772</u>
<i>Change in Net Assets</i>	(50,845)
Net Assets Beginning of Year	<u>121,189</u>
<i>Net Assets End of Year</i>	<u><u>\$ 70,344</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE PERIOD ENDED JUNE 30, 2008**

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

<u>Cash Flows from Operating Activities</u>	
Cash Received from Foundation Payments	\$ 513,911
Cash Received from Special Education	36,504
Cash Received from Classroom Fees	1,730
Cash Received from Other Operating Revenues	5,339
Cash Received from Investing Activities	8
Cash Payments to Suppliers for Goods and Services	(333,886)
Cash Payments to Employees for Services	(272,299)
Cash Payments for Employee Benefits	(37,576)
Cash Payments for Other Operating Uses	<u>(10,423)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(96,692)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Federal Grants Received	151,037
Operating Grants Received	31,834
Contributions and Donations	2,700
Short-Term Loan Received	10,000
Repayment of Short-Term Loans	(10,000)
Interest Payments and Fiscal Charges	<u>(278)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>185,293</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Payments for Capital Acquisitions	<u>(94,461)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(5,860)
Cash and Cash Equivalents at Beginning of Year	<u>43,089</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 37,229</u></u>

(Continued)

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

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

Operating Loss	\$ (172,617)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</b>	
Depreciation	21,044
Changes in Assets and Liabilities	
Decrease in Prepaid Items	15,091
Increase in Accounts Payable	9,718
Increase in Accrued Wages and Benefits	19,633
Increase in Intergovernmental Payable	<u>10,439</u>
<i>Total Adjustments</i>	<u>75,925</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (96,692)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008**

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

Maritime Academy of Toledo (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to "build better citizens for America". To accomplish this mission, the Academy commits to one hundred percent student passage of the Ohio Graduation Test and to achieving a one hundred percent diploma and graduation rate, by providing students a rigorous, high quality middle/junior/high school education (grades 5-12) that incorporates Navy Sea Cadet formation and a U.S. Coast Guard Junior Reserved Officers Training Corp. The Academy offers students a challenging Ohio standards-based education that promotes teamwork and moral leadership through maritime/nautical focused themes that are interwoven throughout and integrated across the curriculum. The Academy, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center for a period of 5 years commencing January 10, 2005. Sponsorship of the Academy was reassigned to the Franklin County Board of Education (aka Franklin County Educational Service Center) (the Sponsor) effective July 22, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Governing Board (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to: state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's instructional/support facility staffed by 6 non-certified and 9 certificated full time teaching personnel who provide services to 79 students.

The Treasurer of the Lucas County Educational Service Center served as the Chief Fiscal Officer of the Academy from July 1, 2007, through June 30, 2008. Beginning July 1, 2008, the Academy has entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the Academy (Note 11).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, 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 financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(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 assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the 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.

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

Non-exchange 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis. Chapter 3314.03(A)(11)(d) of the Ohio Revised Code also requires the Academy to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**E. Cash and Cash Equivalents**

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

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

During the period ended June 30, 2008, the Academy had only deposits.



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

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

**F. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$1,500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Life</u>
Leasehold Improvements	Life of the lease
Furniture, Fixtures, and Equipment	5 years

**G. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**H. Intergovernmental Revenues**

The Academy is a participant in the State Foundation Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled \$513,911 and those associated with the State Special Education Program totaled \$36,504. Revenues associated with specific education grants from the state and federal governments totaled \$122,350 during fiscal year 2008.

**I. Operating and Non-Operating Revenues and Expenses**

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

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

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

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

**J. 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, 2008, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2008 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2008 that were paid in the subsequent fiscal year.

**K. Federal Tax Exemption Status**

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the Academy at year-end represent unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NOTE 3 – DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits. At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits was \$37,229 and the bank balance was \$63,628. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, \$63,628 was collateralized under FDIC insurance and no remaining amounts were uncollateralized and uninsured. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

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

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLES**

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2008 is as follows:

Grants Receivables	Amount
Federal Grants	
Title I	\$ 13,424
Title IID	451
Title IV	100
Title V	57
Total Receivables	\$ 14,032

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Balance 06/30/08
Capital Assets:				
Furniture, Fixtures, and Equipment	\$ 8,429	5,063		13,492
Leasehold Improvements	9,000	89,398		98,398
Total Capital Assets	17,429	94,461		111,890
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(1,686)	(2,698)		(4,384)
Leasehold Improvements	(1,686)	(18,346)		(18,346)
Total Accumulated Depreciation	(1,686)	(21,044)		(22,730)
Total Capital Assets Being Depreciated, Net	15,743	73,417		89,160

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

**NOTE 6 – RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2008, the Academy contracted with Indiana Insurance Company for its insurance coverage as follows:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	\$2,000,000
Commercial General Liability Personal and Advertising Injury	\$1,000,000
Products/Completed Operations aggregate	\$2,000,000
Excess/Umbrella per occurrence and aggregate	\$2,000,000
Building & Building Personal Property	\$ 200,000
Medical Expenses (any one person)	\$ 15,000
Fire Damage	\$ 300,000

There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past two years.

The Academy owns no property, but leases a facility located at 1000 Monroe Street, Toledo, Ohio (See Note 14).

**B. Workers' Compensation**

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

**C. Employee Medical, Dental, and Vision Benefits**

The Academy contracted through independent agents to provide employee medical, dental, and vision insurance to its full time employees. The Academy and employees share the cost of the monthly premiums for coverage. Only one employee elected to receive benefits through the Academy during the audit period.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

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

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008 and 2007, were \$5,948 and \$1,699 respectively; 21.65 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal year 2007.

**B. State Teachers Retirement System**

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling toll free (800) 227-7877, or by visiting the STRS Ohio web-site at [www.strsoh.org](http://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 member 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 of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute the statutory maximum of 10.0 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008 and 2007, were \$26,866 and \$7,024 respectively; 91.13 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal year 2007.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, all members of the Governing Board have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care to the Health Care Stabilization Fund. For the Academy, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2008 and 2007 was \$2,067 and \$540 respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

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

**A. Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

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 2008, the actuarially required allocation was .66%. The Academy contributions for the fiscal years ended June 30, 2008 and 2007, were \$429 and \$108 respectively. 100 percent has been contributed for both fiscal years.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS – (Continued)**

**B. Health Care Plan**

The Health Care Plan includes hospitalization and physicians' fees through several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). 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 2008, the health care allocation was 4.18% of covered payroll. The Academy contributions for the years ended June 30, 2008 and 2007, were \$2,714 and \$776 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll-free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

**NOTE 9 – RESTRICTED NET ASSETS**

At June 30, 2008, the Academy reported restricted net assets totaling \$5,779 for federal special education grants.

**NOTE 10 - CONTINGENCIES**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

**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. As a result of this review, the amount the Academy is owed is \$107; this did not result in a material adjustment to the financial statements.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 – FISCAL AGENT**

For the fiscal year ending June 30, 2008, the Academy entered into a service agreement with Lucas County Educational Service Center (the LCESC) to serve as the Chief Fiscal Officer of the Academy.

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

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

The Academy made payments of \$14,495 to Lucas County Educational Service Center during fiscal year 2008.

Beginning July 1, 2008, the Academy is a party to a fiscal services agreement with Mangen & Associates (M&A) LLC, which is an education finance consulting company. The Agreement's term is for a twelve month period beginning July 1<sup>st</sup> and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A LLC will perform treasurer and financial support services.



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 – PURCHASED SERVICES**

For the period ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors were as follows:

Professional and Technical Services	\$	114,601
Property Services		114,019
Travel Mileage/Meeting Expense		3,768
Communications		15,563
Total Purchased Services	<u>\$</u>	<u>247,951</u>

**NOTE 13 – DEBT OBLIGATIONS**

Debt obligations of the Academy as of June 30, 2008, were as follows:

	<u>Beginning</u> <u>6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>6/30/08</u>	<u>Due in One</u> <u>Year</u>
Notes Payable	\$ -	\$10,000	\$10,000	\$ -	\$ -

The Academy entered into a line of credit with David and Renee Marazon in the amount of \$10,050. The Academy paid them the amount of \$1,713.07 due on the 15<sup>th</sup> of every month beginning in January 2008, and continuing for six months, with an annual variable interest rate of Prime + .25% with the 6<sup>th</sup> month designated final payment to include outstanding principal and any outstanding interest as determined by the variable rate. The loan was paid in full at June 30, 2008.

**NOTE 14 - OPERATING LEASES**

The Academy began the fiscal year on July 1, 2007, under two operating leases with St. Clair Village, LLC. These two leases expired September 14, 2007, and October 14, 2007. Total rent paid to St. Clair Village, LLC during fiscal year ending June 30, 2008, was \$3,450.

The Academy entered into a 59 month school facilities operating lease with T & E Properties, LTD for 19,500 square feet of office and classroom space. The lease commenced August 1, 2007, and will terminate on June 30, 2011. The monthly rent varies from \$9,000 per month up to \$12,000 per month depending on the daily enrollment and the number of years to achieve enrollment. Total rent paid to T & E Properties, LTD during fiscal year ending June 30, 2008, was \$93,000.

Minimum future lease payments are as follows:

<u>Year Ended June 30:</u>	<u>Building</u> <u>Lease</u>
2009	\$ 146,110
2010	119,000
2011	131,000
Total	<u>\$ 396,110</u>

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2008  
(Continued)**

**NOTE 14 - OPERATING LEASES – (Continued)**

The minimum rental payments owed on the contract mentioned above are subject to change during the term of this contract depending on the daily enrollment.

**NOTE 15 – RELATED PARTY TRANSACTIONS**

Reimbursements totaling \$19,567 were made to related parties during the period ended June 30, 2008. \$13,885 to the Academy's Superintendent (Renee Marazon), \$625 to her husband (David Marazon), \$3,539 to her company (MAPS for Life), \$512 to the Assistant Principal/Business Manager (Jill Laytart), and \$1,006 to the Assistant Principal/Business Manager's husband (Ryan Laytart), on behalf of the Academy. Both the Superintendent and Assistant Principal/Business Manager are non-voting members of the Board.



# Mary Taylor, CPA

Auditor of State

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

Maritime Academy of Toledo  
Lucas County  
1000 Monroe Street  
Toledo, Ohio 43604

To the Governing Board:

We have audited the basic financial statements of the Maritime Academy of Toledo, Lucas County, (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated April 1, 2009. 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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated April 1, 2009.

#### **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 a certain noncompliance matter that we reported to the Academy's management in a separate letter dated April 1, 2009.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, and the Community School's sponsor. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 1, 2009

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Material Weakness**

**GAAP Conversion**

The Maritime Academy of Toledo should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Academy's financial statements and related disclosures. Errors were identified in calculating and posting journal entries to the financial statements, notes to the financial statements, and other supplemental information during the GAAP conversion process, resulting in numerous audit adjustments totaling \$538,382. The deficiencies resulting in these audit adjustments, consisted of, but were not limited to the following:

- Misclassification of revenue account line items;
- Trial balance recording and posting errors, resulting in misstatement of revenue and expense account line items;
- Accounts Payable computation and calculation errors resulting in misclassification of liabilities, as well as the misstatement of liabilities; and
- Capital Assets computation and calculation errors resulting in the misclassification and understatement of non-current assets, as well as the related depreciation expense.

The failure to accurately record financial activity on the financial statements resulted in material misstatements and inaccurate financial reporting.

We recommend due care be exercised in the calculation and preparation of the financial statements. Further, we recommend the Maritime Academy of Toledo implement review procedures to detect material financial statement errors.

**Official's Response**

The Academy's management agreed with this finding.





**Mary Taylor, CPA**  
Auditor of State

**MARITIME ACADEMY OF TOLEDO**

**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 7, 2009**