

MARITIME ACADEMY OF TOLEDO

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011





# Dave Yost • Auditor of State

Board of Trustees  
Maritime Academy of Toledo  
803 Water Street  
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the Maritime Academy of Toledo, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Maritime Academy of Toledo is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 11, 2012

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MARITIME ACADEMY OF TOLEDO

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Maritime Academy of Toledo  
Lucas County  
803 Water Street  
Toledo, Ohio 43604

We have audited the accompanying basic financial statements of the Maritime Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Directors  
Maritime Academy of Toledo  
Lucas County

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maritime Academy of Toledo's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 24 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Maritime Academy of Toledo, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature of William O'Brien in cursive script.

December 22, 2011



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

The management's discussion and analysis of the Maritime Academy of Toledo's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets were \$363,481 at June 30, 2011.
- The Academy had operating revenues of \$1,452,845, operating expenses of \$2,338,359 and non-operating revenues of \$1,120,127 for fiscal year 2011. Total change in net assets for the fiscal year was an increase of \$234,613.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. 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 two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy 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. These statements can be found on pages 8 and 9 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 10 of this report.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

The table below provides a summary of the Academy's net assets for fiscal year 2011 and 2010.

	<b>Net Assets</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current assets	\$ 213,989	\$ 353,442
Capital assets, net	<u>2,530,593</u>	<u>14,923</u>
Total assets	<u>2,744,582</u>	<u>368,365</u>
<b><u>Liabilities</u></b>		
Current liabilities	131,101	239,497
Non-current liabilities	<u>2,250,000</u>	<u>-</u>
Total liabilities	<u>2,381,101</u>	<u>239,497</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	280,593	14,923
Restricted	52,390	19,775
Unrestricted	<u>30,498</u>	<u>94,170</u>
Total net assets	<u>\$ 363,481</u>	<u>\$ 128,868</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011 and June 30, 2010, the Academy's net assets totaled a balance of \$363,481 and \$128,868, respectively.

A portion of the Academy's net assets, \$52,390 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets of \$30,498 may be used to meet the Academy's ongoing obligation to the students and creditors.

At year-end, capital assets represented 92.20% of total assets. Capital assets consisted of land, buildings, furniture, fixtures and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$280,593. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The increase in both capital assets and non-current liabilities is a result of the Academy's purchase of a building on June 30, 2011. The purchase price of the building and land was \$2,500,000 and the Academy financed the purchase with \$2,250,000 in mortgage notes, reported as a non-current liability. Prior to the purchase of the building, the Academy had been leasing the facility.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

The table below shows the changes in net assets for fiscal year 2011 and 2010.

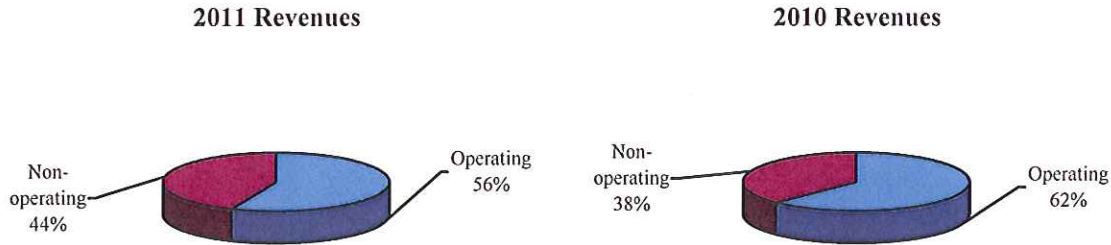
	2011	2010
<b><u>Operating Revenues:</u></b>		
Foundation payments	\$ 1,339,231	\$ 1,238,749
Special education payments	75,909	83,923
Extracurricular	11,268	7,516
Food services	11,552	6,306
Classroom fees	14,479	11,584
Other	406	16,325
Total operating revenue	1,452,845	1,364,403
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,025,749	860,770
Fringe benefits	226,924	216,661
Purchased services	689,944	724,164
Materials and supplies	288,882	237,404
Depreciation	26,988	9,291
Other	79,872	10,485
Total operating expenses	2,338,359	2,058,775
<b><u>Non-operating Revenues (Expenses):</u></b>		
Grants and subsidies	1,112,858	819,374
Interest	37	5
Contributions and donations	7,232	-
Loss on disposal of capital assets	-	(84,540)
Total non-operating revenues	1,120,127	734,839
Change in net assets	234,613	40,467
Net assets at beginning of year	128,868	88,401
Net assets at end of year	\$ 363,481	\$ 128,868

The overall increase in net assets can mainly be attributed to the increase in foundation revenues and non-operating grants and subsidies. The Academy received Federal grant monies through the American Recovery and Reinvestment Act and the Education Jobs grant which resulted in a significant increase in Federal and State grant revenue during fiscal year 2011. Salaries and wage expenses increased due to the addition of two new certified employees in fiscal year 2011. Materials and supplies increased due to the costs of equipping the new facility. During fiscal year 2010, the Academy disposed of leasehold improvements and certain furniture, fixtures and equipment. The Academy did not dispose of any assets during fiscal year 2011.

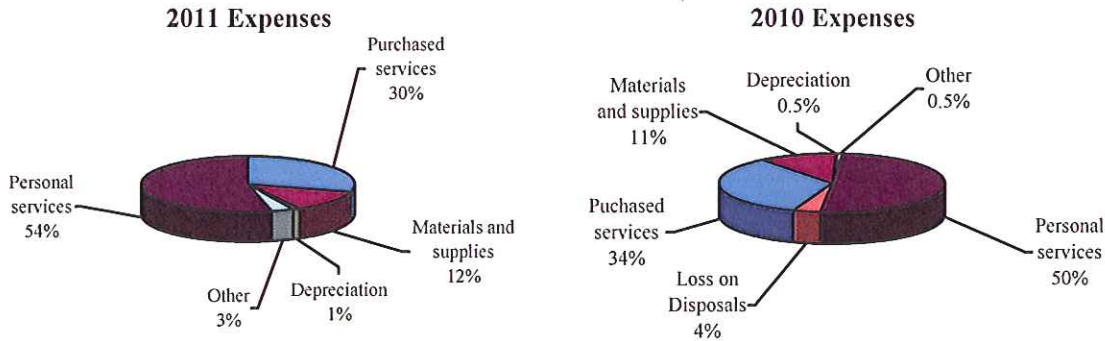
**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

The charts below illustrate the revenues for the Academy for fiscal years 2011 and 2010.



The charts below illustrate the expenses for the Academy for fiscal years 2011 and 2010.



**Capital Assets**

At June 30, 2011, the Academy had \$2,530,593 invested in land, buildings, and furniture, fixtures and equipment. See Note 6 to the basic financial statements for more detail on capital assets.

**Debt Administration**

At June 30, 2011, the Academy had \$2,250,000 in mortgage notes outstanding. Of this total, \$83,032 is due within one year and \$2,166,968 is due in more than one year. See Note 7 to the basic financial statements for more detail on long-term obligations.

**Current Financial Related Activities**

The Academy is reliant upon State Foundation monies and federal grants to provide a maritime based curriculum to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply all financial resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Penny, Treasurer, Maritime Academy, 803 Water Street, Toledo, Ohio 43604.

MARITIME ACADEMY  
LUCAS COUNTY, OHIO

STATEMENT OF NET ASSETS  
JUNE 30, 2011

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents. . . . .	\$ 168,201
Receivables:	
Intergovernmental. . . . .	38,191
Prepayments . . . . .	7,597
	<hr/>
Total current assets . . . . .	213,989
Non-current assets:	
Land. . . . .	182,500
Depreciable capital assets, net . . . . .	2,348,093
	<hr/>
Total non-current assets. . . . .	2,530,593
	<hr/>
Total assets. . . . .	2,744,582
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	17,986
Accrued wages and benefits . . . . .	59,773
Compensated absences. . . . .	10,417
Pension obligation payable. . . . .	27,516
Intergovernmental payable . . . . .	15,409
	<hr/>
Total current liabilities . . . . .	131,101
Non-current liabilities:	
Due within one year. . . . .	83,032
Due in more than one year. . . . .	2,166,968
	<hr/>
Total non-current liabilities . . . . .	2,250,000
	<hr/>
Total liabilities . . . . .	2,381,101
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	280,593
Restricted for:	
Student activities. . . . .	771
Food service operations. . . . .	8,940
Locally funded programs. . . . .	760
Federally funded programs. . . . .	39,159
Other purposes. . . . .	2,760
Unrestricted. . . . .	30,498
	<hr/>
Total net assets . . . . .	\$ 363,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARITIME ACADEMY  
LUCAS COUNTY, OHIO

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

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 1,339,231
Special education payments. . . . .	75,909
Extracurricular. . . . .	11,268
Classroom fees. . . . .	14,479
Food service. . . . .	11,552
Other . . . . .	406
Total operating revenues . . . . .	<u>1,452,845</u>
<b>Operating expenses:</b>	
Salaries and wages. . . . .	1,025,749
Fringe benefits. . . . .	226,924
Purchased services. . . . .	689,944
Materials and supplies . . . . .	288,882
Other. . . . .	79,872
Depreciation . . . . .	26,988
Total operating expenses. . . . .	<u>2,338,359</u>
Operating loss. . . . .	<u>(885,514)</u>
<b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	1,112,858
Interest revenue . . . . .	37
Contributions and donations. . . . .	7,232
Total non-operating revenues. . . . .	<u>1,120,127</u>
Change in net assets. . . . .	234,613
Net assets at beginning of year . . . . .	<u>128,868</u>
Net assets at end of year. . . . .	<u>\$ 363,481</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARITIME ACADEMY  
LUCAS COUNTY, OHIO**

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

<b>Cash flows from operating activities:</b>	
Cash received from foundation payments. . . . .	\$ 1,336,136
Cash received from special education payments. . . . .	75,909
Cash received from classroom fees . . . . .	14,479
Cash received from extracurricular activities. . . . .	11,268
Cash received from food services. . . . .	11,552
Cash received from other operations . . . . .	3,500
Cash payments for salaries and wages. . . . .	(1,029,963)
Cash payments for fringe benefits . . . . .	(230,006)
Cash payments for contractual services . . . . .	(672,987)
Cash payments for materials and supplies . . . . .	(290,066)
Cash payments for other expenses . . . . .	(77,740)
	<hr/>
Net cash used in operating activities. . . . .	(847,918)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	988,067
Cash received from contributions and donations . . . . .	7,232
	<hr/>
Net cash provided by noncapital financing activities. . . . .	995,299
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from mortgage. . . . .	2,250,000
Acquisition of capital assets . . . . .	(2,542,658)
	<hr/>
Net cash used in capital and related financing activities. . . . .	(292,658)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	37
	<hr/>
Net cash provided by investing activities . . . . .	37
	<hr/>
Net decrease in cash and cash equivalents. . . . .	(145,240)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>313,441</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 168,201</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (885,514)
Adjustments:	
Depreciation . . . . .	26,988
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable . . . . .	(1)
Decrease in prepayments . . . . .	10,848
Increase in accounts payable. . . . .	4,340
(Decrease) in accrued wages and benefits . . . . .	(6,332)
Increase in intergovernmental payable. . . . .	12,599
Increase in compensated absences payable. . . . .	905
(Decrease) in pension obligation payable . . . . .	(11,751)
	<hr/>
Net cash used in operating activities. . . . .	<b>\$ (847,918)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

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 through 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 operation of the Academy.

The Academy was approved for operation under a Sponsorship Agreement with the Educational Service Center of Central Ohio (previously known as Franklin County Educational Service Center) (the "Sponsor") through June 30, 2010. On May 21, 2010, the Academy renewed the Sponsorship Agreement with the Educational Service Center of Central Ohio for a three year period July 1, 2010 through June 30, 2013. 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. See Note 14 for more information on the Academy's agreement with its Sponsor.

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 Governing Board controls the Academy's instructional/support facility staffed by 15 non-certified and 19 certified teaching personnel who provide services to 207 students.

During fiscal year 2010, the Maritime Foundation, a non-profit organization, was organized to operate a school to provide maritime training and make grants to and benefit educational institutions that are tax exempt. As discussed in Note 13, the Academy purchases services from the Foundation. In accordance with GASB 14 the Foundation is not a component unit of the Academy nor is it a joint venture or jointly governed organization of the Academy.

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 also applied Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided this guidance does not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply FASB guidance issued after November 30, 1989.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

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

The more significant of the Academy's policies are described below.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. The Academy uses enterprise accounting to track and report its financial activities. Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

**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 revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the 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 on the accrual basis when the exchange takes place.

Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations are 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.

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

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

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

**E. Cash and Cash Equivalents**

Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net assets. 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 2011, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Basic Aid and Special Education Programs. The foundation funding is 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 Basic Aid totaled \$1,339,231 and those associated with Special Education grants from the State of Ohio totaled \$75,909 during fiscal year 2011.

**G. Prepaid Items**

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

**H. Capital Assets and Depreciation**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Furniture, Fixtures and Equipment	5 - 15 years

**I. Accrued Liabilities Payable**

The Academy has recognized certain liabilities on the statement of net assets relating to expenses, which are due but unpaid as of June 30, 2011 including:

*Accrued wages and benefits 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 2011 contract.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

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

*Intergovernmental payable* - payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2011 that were paid in the subsequent year.

**J. Compensated Absences**

Full-time administrative employees earn two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Vacation leave up to sixty (60) days will be paid out to employees upon separation of employment.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment.

The liability for compensated absences at year-end is described in Note 11.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. None of the Academy's restricted net assets are restricted by enabling legislation.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

**M. 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.

MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO

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

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

N. 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. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2011, the carrying amount of the Academy's deposits was \$168,201. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the Academy's entire bank balance of \$452,454 was insured by the Federal Depository Insurance Corporation (FDIC).

B. Investments

The Academy had no investments at June 30, 2011.

NOTE 4 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011, consisted of receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables:	Amount
Title I - ARRA	\$ 21,469
21st Century grant	3,100
State of Ohio Foundation adjustment	13,622
Total intergovernmental receivables	<u>\$ 38,191</u>

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - CAPITAL ASSETS**

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

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ -	\$ 182,500	\$ -	\$ 182,500
Total capital assets, not being depreciated	<u>-</u>	<u>182,500</u>	<u>-</u>	<u>182,500</u>
<i>Capital assets, being depreciated:</i>				
Building	-	2,317,500	-	2,317,500
Furniture, fixtures and equipment	15,410	42,658	-	58,068
Total capital assets, being depreciated	<u>15,410</u>	<u>2,360,158</u>	<u>-</u>	<u>2,375,568</u>
<i>Less: accumulated depreciation</i>				
Building	-	(23,175)	-	(23,175)
Furniture, fixtures and equipment	(487)	(3,813)	-	(4,300)
Total accumulated depreciation	<u>(487)</u>	<u>(26,988)</u>	<u>-</u>	<u>(27,475)</u>
Capital assets, net	<u>\$ 14,923</u>	<u>\$ 2,515,670</u>	<u>\$ -</u>	<u>\$ 2,530,593</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

A. The changes in the Academy's long-term obligations during the year consist of the following:

	Balance			Balance	Amounts
	<u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/11</u>	<u>Due in</u>
					<u>One Year</u>
Notes payable - Genoa Bank	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 83,032
Notes payable - AMO	-	250,000	-	250,000	-
Total long-term liabilities	<u>\$ -</u>	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>\$ 2,250,000</u>	<u>\$ 83,032</u>

B. On June 30, 2011, the Academy borrowed a \$2,000,000 mortgage note payable from Genoa Bank to acquire a building. This note is for 15 years. The interest rate is 5 percent for the first five years and then is adjusted every 60<sup>th</sup> month at 3.5 percent above the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. Principal and interest payments are made by the Academy monthly. Additionally, the Academy borrowed a \$250,000 seller backed mortgage note from the American Maritime Officers Building Corporation of Ohio. This note is for 15 years. The principal, but not interest, is deferred for the first 60 months. The interest rate is 5 percent for the first five years and then is adjusted every 60<sup>th</sup> month at 3.5 percent above the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years. Payments are made by the Academy monthly. The \$2,000,000 mortgage note payable with Genoa Bank is collateralized by the building and guaranteed by the Maritime Foundation and the American Maritime Officers Building Corporation of Ohio.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future annual debt service requirements to maturity for the mortgage notes with Genoa Bank and AMO:

Fiscal Year Ending June 30,	Genoa Bank			AMO		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 83,032	\$ 90,976	\$ 174,008	\$ -	\$ 11,596	\$ 11,596
2013	96,266	93,561	189,827	-	12,500	12,500
2014	101,185	88,641	189,826	-	12,500	12,500
2015	106,357	83,470	189,827	-	12,500	12,500
2016	111,792	78,035	189,827	-	12,500	12,500
2017 - 2021	650,725	298,408	949,133	107,430	50,058	157,488
2022 - 2026	834,890	114,244	949,134	139,929	19,169	159,098
2027	15,753	66	15,819	2,641	11	2,652
Total	<u>\$ 2,000,000</u>	<u>\$ 847,401</u>	<u>\$ 2,847,401</u>	<u>\$ 250,000</u>	<u>\$ 130,834</u>	<u>\$ 380,834</u>

**NOTE 8 - RISK MANAGEMENT**

**A. Insurance Coverage**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2011, the Academy contracted with the Philadelphia Insurance Company for 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
Sexual/Physical Abuse or Molestation per occurrence and aggregate	1,000,000
Employee Benefits Liability per occurrence and aggregate	1,000,000
Stop Gap Liability per occurrence and aggregate	1,000,000
Rental	100,000
Medical Expenses (any one person)	5,000

For fiscal year 2011, the Academy leased a facility located at 803 Water Street, Toledo, Ohio. The Academy purchased this facility on June 30, 2011.

Settlements have not exceeded insurance coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2010.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 8 - RISK MANAGEMENT - (Continued)**

**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 calculated by the State.

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

The Academy has contracted through an independent agent to provide employee medical, dental and vision insurance to its full time employees who work 25 or more hours per week. The Academy pays the monthly premiums for all selected coverage (medical, dental and vision insurance).

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$38,153, \$28,663 and \$11,418, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

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



**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 9 - PENSION PLANS - (Continued)**

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$90,682, \$80,893 and \$43,658, respectively; 89.11 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$6,575 made by the Academy and \$4,697 made by the plan members.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$7,513, \$2,404 and \$3,358, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,455, \$1,705 and \$942, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$6,976, \$6,223 and \$5,226, respectively; 89.11 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Full-time administrative staff earn from two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Vacation leave up to sixty (60) days will be paid out to employees upon separation of employment. The Academy has recorded a liability for accumulated, but unused vacation balances at June 30, 2011. A vacation liability of \$10,417 is recorded as a component of "compensated absences payable" on the financial statements.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment. No liability for unused sick leave is recorded at June 30, 2011.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment. No liability for unused personal leave is recorded at June 30, 2011.

**NOTE 12 - OPERATING LEASES**

On August 1, 2007, the Academy entered into an operating lease for a school facility. The term of the lease was 59 months. Aggregate required monthly rental payments under the operating lease, including one subsequent addendum, was \$13,000. On October 16, 2009, the Academy, with the consent of the lessor, assigned this facility operating lease to another organization. The lease term ended June 30, 2011.

On September 1, 2008, the Academy leased a copier under a non-cancelable operating lease. The term of the lease is 60 months and commenced on September 1, 2008. Required monthly rental payments under the lease are \$267. Total rent expense for the fiscal year ended June 30, 2011 was \$3,210.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 12 - OPERATING LEASES - (Continued)**

On September 1, 2009, the Academy moved to a new facility and entered into a new operating lease. The term of the lease is 36 months and commenced on September 1, 2009 with required monthly rental payments of \$15,000. During fiscal year 2011, the Academy paid \$165,000 under this operating lease. The lease terminated on June 30, 2011 when the Academy purchased the facility.

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Copier</u> <u>Lease</u>
2012	\$ 3,210
2013	3,210
2014	<u>535</u>
Total	<u>\$ 6,955</u>

**NOTE 13 - PURCHASED SERVICES**

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

Professional and technical services	\$ 289,254
Property services	249,718
Travel mileage/meeting expense	29,414
Communications	20,067
Utilities	98,286
Pupil transportation	1,870
Other	<u>1,335</u>
Total Purchased Services	<u>\$ 689,944</u>

On January 11, 2010, the Academy entered into a services contract with the Maritime Foundation (the "Foundation"), a separate non-for-profit organization. Under the terms of the contract, the Foundation agrees to manage three engine room simulators, three navigation simulators and one radar simulator and also includes oversight and inspection of all facets of the operations of the simulators. The contract term is February 1, 2010 through January 31, 2011. The Academy renewed this contract for the period February 1, 2011 through December 31, 2012. The Academy agrees to pay the Foundation \$6,500 per month under the purchase service contract. During fiscal year 2011, the Academy paid \$78,000 to the Foundation under this contract, which is included in professional and technical services expense. Total remaining due under this agreement is \$117,000 for fiscal years 2012 and 2013.

**MARITIME ACADEMY OF TOLEDO  
LUCAS COUNTY, OHIO**

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

**NOTE 14 - SPONSOR CONTRACT**

The Academy entered into a five-year contract commencing on January 10, 2005 and continuing through June 30, 2010 with the Sponsor for its establishment. The Academy renewed the sponsorship agreement for a three year period, July 1, 2010 through June 30, 2013. Under the contract, the following terms were agreed upon:

- The Academy shall comply with the policies and provisions described in the “Educational Program”, which contains the Academy’s mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, and the focus of the curriculum.
- The Academy shall comply with a “Financial Plan”, which details an estimated school budget for each year of the period of the contract, and shall specify the total estimated per pupil expenditure amount for each such year.
- The Academy shall comply with the procedures by which the members of the Academy will be selected in the future as set forth in the “Governance and Administrative Plan”.
- The Academy shall agree to assess student achievement of academic goals using the methods of measurement identified in the “Assessment and Accountability Plan”.
- The Sponsor shall evaluate the performance of the Academy and agrees to comply with the standards by which the success of the Academy will be evaluated.

The Academy paid \$41,404 in sponsorship fees to the Sponsor during fiscal year 2011.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from Federal and State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2011.

**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. Based upon the results of the review performed for fiscal year 2011, the Academy has recorded a \$13,622 intergovernmental receivable for monies due from the Ohio Department of Education.

MARITIME ACADEMY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (ACCRUAL BASIS)  
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Receipts	Non-Cash Receipts	Grant Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Special Education Cluster</u>					
Special Education - Part B - IDEA	84.027	\$ 45,953	\$ -0-	\$ 44,975	\$ -0-
Special Education - Part B - IDEA - ARRA	84.391	4,213	-0-	5,163	-0-
		50,166	-0-	50,138	-0-
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	119,329	-0-	119,329	-0-
Title II-D - Education Technology	84.318	1,929	-0-	1,841	-0-
<u>Title I, Part A Cluster</u>					
Title I	84.010	184,919	-0-	209,325	-0-
Title I - ARRA	84.389	43,289	-0-	51,219	-0-
		228,208	-0-	260,544	-0-
Title IV - Safe and Drug Free Schools	84.186	320	-0-	320	-0-
Title II-A - Improving Teacher Quality	84.367	7,422	-0-	7,922	-0-
Twenty-First Century Community Learning Centers	84.287	367,494	-0-	380,212	-0-
Race to the Top	84.395	24,958	-0-	24,958	-0-
Education Jobs Fund	84.410	85,898	-0-	85,898	-0-
TOTAL DEPARTMENT OF EDUCATION		885,724	-0-	931,162	-0-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
National School Lunch Program	10.555	72,854	4,413	72,854	4,413
School Breakfast Program	10.553	22,164	-0-	22,164	-0-
		95,018	4,413	95,018	4,413
TOTAL DEPARTMENT OF AGRICULTURE		95,018	4,413	95,018	4,413
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 980,742</u>	<u>\$ 4,413</u>	<u>\$ 1,026,180</u>	<u>\$ 4,413</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Maritime Academy of Toledo  
Lucas County  
803 Water Street  
Toledo, Ohio 43604

We have audited the accompanying basic financial statements of the Maritime Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements as listed in the table of contents and have issued our report thereon dated December 22, 2011. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Board of Directors  
Maritime Academy of Toledo

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Maritime Academy of Toledo in a separate letter dated December 22, 2011.

This report is intended solely for the information and use of the Academy's Board of Directors and management, the Academy's sponsor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 22, 2011





INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133

Board of Directors  
Maritime Academy of Toledo  
Lucas County  
803 Water Street  
Toledo, Ohio 43604

Compliance

We have audited Maritime Academy of Toledo's, Lucas County ("Academy"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2011. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Board of Directors  
Maritime Academy of Toledo

Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

This report is intended solely for the information and use of the Academy's Board of Directors and management, the Academy's sponsor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 22, 2011

MARITIME ACADEMY OF TOLEDO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified  
 Internal control over financial reporting:  
 Material weakness(es) identified?  yes  no  
 Significant deficiency(ies) identified not considered  
 to be material weaknesses?  yes  none reported  
 Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:  
 Material weakness(es) identified?  yes  no  
 Significant deficiency(ies) identified not  
 considered to be material weaknesses?  yes  none reported

Type of auditors’ report issued on compliance for  
 major programs: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section .510(a)?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Title I, Part A Cluster</u>	
84.010	Title I
84.389	Title I - ARRA
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee?  Yes  No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MARITIME ACADEMY OF TOLEDO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011

NONE



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Maritime Academy of Toledo  
Lucas County  
803 Water Street  
Toledo, Ohio 43604

To the Board of Directors:

Ohio Revised 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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Maritime Academy of Toledo has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 11, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads 'Weber O'Brien Ltd.' in a cursive script.

December 22, 2011

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# Dave Yost • 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  
JANUARY 24, 2012**