



Dave Yost • Auditor of State

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central Academy, Seneca County, Ohio, as of June 30, 2012, and the changes in 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 February 5, 2013, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

February 5, 2013

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets were \$422,294 at June 30, 2012.
- The Academy had operating revenues of \$651,904, operating expenses of \$815,593, non-operating revenues of \$245,872 and a capital contribution of \$111,809 during fiscal year 2012. The total change in net assets for the year was an increase of \$193,992.

Using these Basic Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net 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 to determine how well the Academy has performed financially through June 30, 2012. 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 tells the reader whether, for the Academy's as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

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

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

The table below provides a summary of the Academy's net assets for fiscal years 2012 and 2011.

	Net Assets	
<u>Assets</u>		
Current assets	\$ 194,464	\$ 217,379
Capital assets, net	<u>241,047</u>	<u>34,785</u>
 Total assets	 <u>435,511</u>	 <u>252,164</u>
<u>Liabilities</u>		
Current liabilities	<u>13,217</u>	<u>23,862</u>
<u>Net Assets</u>		
Invested in capital assets	241,047	34,785
Restricted	61,195	153,209
Unrestricted	<u>120,052</u>	<u>40,308</u>
 Total net assets	 <u>\$ 422,294</u>	 <u>\$ 228,302</u>

Over time, net assets can serve as a useful indicator of the Academy's financial position. At June 30, 2012, the Academy's net assets totaled \$422,294.

Current assets represent cash, intergovernmental receivables and prepayments. Current liabilities represent accounts payable.

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

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

The table below shows the changes in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	2012	2011
<u>Operating Revenues:</u>		
State foundation	\$ 566,069	\$ 272,831
Special education	74,606	29,774
Sales / charges for services	1,562	1,979
Other	9,667	11,150
Total operating revenue	651,904	315,734
<u>Operating Expenses:</u>		
Purchased services	547,979	336,230
Materials and supplies	121,534	40,773
Other	49,855	23,702
Depreciation	96,225	4,932
Total operating expenses	815,593	405,637
<u>Non-operating Revenues (expenses):</u>		
Federal and State grants	245,346	318,137
Interest income	526	68
Total non-operating revenues (expenses)	245,872	318,205
Income before capital contributions	82,183	228,302
Capital contributions	111,809	
Change in net assets	193,992	228,302
Net assets at beginning of period	228,302	
Net assets at end of period	\$ 422,294	\$ 228,302

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 71.36% of total operating and non-operating revenues during fiscal year 2012. Purchased services comprise 67.19% of operating expenses.

The increase in revenues relating to state foundation is primarily due to the increase in the number of students as a result of the transfer of students from North Central Academy – Tiffin (the “Tiffin Academy”). In fiscal year 2012, the Academy’s enrollment of these students from the Tiffin Academy increased the funding allocation which affected the foundation, title funds, and special education funding. As a result the Academy received more funding for operations.

The purchased services increased \$211,749 from fiscal year 2011. This increase can also be attributed to the transfer of students to the Academy. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the “ESC”). When the students were transferred to the Academy, many of the expenses, including personnel, was then spent using the Academy’s funding.

The Academy’s Federal and State grants consisted of Public Charter School Grants, the Education Jobs grant, Title I, Title II-D, and IDEA Part B grants. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

Capital Assets

At June 30, 2012, Academy had \$241,047 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

	2012	2011
<u>Capital assets, net of depreciation</u>		
Building improvements	\$ 1,968	
Furniture, fixtures, and equipment	239,079	\$ 34,785
Total net assets	<u>\$ 241,047</u>	<u>\$ 34,785</u>

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. The 2011-2012 school year is the Academy's second year of operations as an at-risk school serving students in grades 6-12. The most significant change in fiscal year 2012 was the implementation of our plan to consolidate with North Central Academy – Tiffin ("NCA-Tiffin") by the start of fiscal year 2013. Since the Academy and NCA-Tiffin both moved in June 2011 and are now housed in the same building, it seemed prudent to consolidate the two separate schools. By combining the enrollment of both schools under the Academy's IRN 012054 beginning in fiscal year 2013, it is our belief that this change will enable our school to better meet the needs of the students academically, socially, and emotionally while streamlining services. The NCA-Tiffin IRN 011511 has been transferred to a new K-12 school also sponsored by the North Central Ohio Educational Service Center in Harrison County, Ohio called Lakeland Academy. As a result of this change, enrollment increased at the Academy from a total of 49 students in fiscal year 2011, to a total of 94 students in fiscal year 2012 as some of the NCA-Tiffin students were transferred to the Academy for fiscal year 2012. Beginning with fiscal year 2013, all NCA-Tiffin students have been enrolled at the Academy. Fiscal year 2012 revenue and expenditures increased in conjunction with the partial shift of students.

The primary challenge today is the uncertainty of future funding. The Public Charter School Program two year start-up grant concluded in fiscal year 2012. The Education Jobs fund provided one-time support for a .5 FTE licensed teacher in 2012 which will no longer be available in fiscal year 2013. This combined with the fluctuation of the community school funding method which bases monthly foundation payments on daily enrollment records of our "at-risk" students make it a constant challenge to meet the needs of our school.

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

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central Academy-Fremont'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 Tina Peyton, Treasurer, North Central Academy-Fremont, 928 W. Market St., Suite A, Tiffin, Ohio 44883-2529.

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

Assets:

Current assets:

Equity in pooled cash	\$ 154,523
Receivables:	
Intergovernmental	12,841
Prepayments	27,100
Total current assets	<u>194,464</u>

Non-current assets:

Depreciable capital assets, net	<u>241,047</u>
Total assets	<u>435,511</u>

Liabilities:

Current liabilities:

Accounts payable	13,217
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Net assets:

Invested in capital assets	241,047
Restricted for:	
Restricted for public school support	669
Restricted for federal programs	57,867
Restricted for other purposes.	2,659
Unrestricted	<u>120,052</u>
Total net assets	<u>\$ 422,294</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

Operating revenues:

Foundation revenue	\$ 566,069
Special education	74,606
Sales/charges for services	1,562
Other	9,667
Total operating revenues	<u>651,904</u>

Operating expenses:

Purchased services	547,979
Materials and supplies	121,534
Other	49,855
Depreciation	96,225
Total operating expenses	<u>815,593</u>

Operating loss (163,689)

Non-operating revenues:

Federal and state grants	245,346
Interest revenue	526
Total non-operating revenues	<u>245,872</u>

Income before capital contributions 82,183

Capital contributions 111,809

Change in net assets 193,992

Net assets at beginning of year 228,302

Net assets at end of year \$ 422,294

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

Cash flows from operating activities:	
Cash received from state foundation	\$ 640,675
Cash received from sales/charges for services	1,562
Cash received from other operations	9,667
Cash payments for contractual services	(573,825)
Cash payments for materials and supplies	(132,544)
Cash payments for other expenses	(50,744)
	<hr/>
Net cash used in operating activities	(105,209)
	<hr/>
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	407,614
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(190,678)
	<hr/>
Cash flows from investing activities:	
Interest received	526
	<hr/>
Net increase in cash and cash equivalents	112,253
Cash and cash equivalents at beginning of year	42,270
Cash and cash equivalents at end of year	<u>\$ 154,523</u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (163,689)
Adjustments:	
Depreciation	96,225
Changes in assets and liabilities:	
Increase in prepayments	(27,100)
Decrease in accounts payable	(4,034)
Decrease in intergovernmental payable	(6,611)
	<hr/>
Net cash used in operating activities	<u>\$ (105,209)</u>

Noncash transactions:

During fiscal year 2012, the Academy received \$111,809 in contributed capital assets.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy - Fremont (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of "at-risk" students aged 11-21 in grades 6-12. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution on May 14, 2010 with North Central Ohio Educational Service Center (the "Sponsor") for a period of two years commencing on July 1, 2010 with automatic renewals for successive one-year terms.

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

The service contract for fiscal year 2012 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

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

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 statements of revenues, expenses and changes in net assets present 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 upon the accrual basis when the exchange takes place.

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

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

Cash held by the Academy is reflected as "equity in pooled cash" 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 2012, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

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

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Building improvements and furniture, fixtures and equipment are depreciated over five years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation.

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for public school support, federally funded programs and other purposes.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

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

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the education jobs grant, the Federal IDEA Part B grant, the Federal Title I grant, the Improving Teacher Quality Title II-A grant, the Title II-D Technology Grant, and the public charter school grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2012 was \$245,346.

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

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

J. Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2012. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2012, the carrying amount of the Academy's deposits was \$154,523. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the Academy's entire bank balance of \$160,589 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2012:

	Balance <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/12</u>
Capital assets, being depreciated:				
Building improvements		\$ 4,373		\$ 4,373
Furniture, fixtures and equipment	\$ 39,717	298,114		337,831
Total capital assets	<u>39,717</u>	<u>302,487</u>		<u>342,204</u>
Accumulated depreciation:				
Building improvements		(2,405)		(2,405)
Furniture, fixtures and equipment	(4,932)	(93,820)		(98,752)
Total accumulated depreciation	<u>(4,932)</u>	<u>(96,225)</u>		<u>(101,157)</u>
Capital assets, net	<u>\$ 34,785</u>	<u>\$ 206,262</u>		<u>\$241,047</u>

During fiscal year 2012, the Academy received contributed capital assets with a net book value of \$111,809 from North Central Academy – Tiffin.

NOTE 6 - RECEIVABLES

The Academy had the following intergovernmental receivables at June 30, 2012:

IDEA Part-B	\$ 533
Title I, disadvantaged children	117
Miscellaneous federal grants	<u>12,191</u>
Total	<u>\$ 12,841</u>

The intergovernmental receivables are expected to be collected in the subsequent year.

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and technical services	\$ 517,043
Property services	14,383
Travel and meetings	493
Communications	4,919
Pupil transportation	<u>11,141</u>
Total	<u>\$ 547,979</u>

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2012, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer and Director.

NOTE 9 - CONTINGENCIES

A. Student Attendance

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

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

D. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2013 as a result of the reviews which have yet to be completed.

NOTE 10 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$607,873 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2012.

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

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

NOTE 11 – CONSOLIDATION

During fiscal year 2012, the Academy began consolidation with North Central Academy – Tiffin since both Academies moved to the same building in June 2011.

During fiscal year 2013, both schools will combine student enrollment and equipment and operate under the same IRN. The transfer of capital assets from North Central Academy – Tiffin is reported as a capital contribution in the in the financial statements.

NOTE 12 – SUBSEQUENT EVENTS

In Board Resolution dated October 23, 2012, the Board approved a change of name from North Central Academy – Fremont to North Central Academy. The name change became effective upon the Ohio Department of Education approval letter dated November 19, 2012.

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

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

To the Board of Directors:

We have audited the financial statements of North Central Academy – Fremont, Seneca County, Ohio, (the Academy) as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

North Central Academy – Fremont
Seneca County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Dave Yost
Auditor of State

February 5, 2013

**NORTH CENTRAL ACADEMY - FREMONT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Recommended monitoring of financial activity	Yes	

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NORTH CENTRAL ACADEMY-FREMONT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2013**