



**GLASS CITY ACADEMY  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



GLASS CITY ACADEMY  
LUCAS COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Glass City Academy  
Lucas County  
2275 Collingwood Blvd.  
Toledo, Ohio 43620-1148

To the Governing Board:

We have audited the accompanying basic financial statements of the Glass City Academy, Lucas County (the Academy), as of and for the year ended June 30, 2007, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2007, and the changes in its financial position and 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 28, 2008, 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

**Mary Taylor, CPA**  
Auditor of State

February 28, 2008

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

The discussion and analysis of the Glass City Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. 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.

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

**Financial Highlights**

- In total, net assets increased by \$252,040.
- Total assets increased by \$268,803.
- Total liabilities increased by \$16,763.

**Using this Financial Report**

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

**Reporting the Academy as a Whole**

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

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

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

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2007 and fiscal year 2006:

(Table 1)  
Net Assets

	2007	2006
<b>Assets</b>		
Current Assets	\$ 2,668,182	\$ 2,329,937
Capital Assets, Net	112,790	182,232
<i>Total Assets</i>	<u>2,780,972</u>	<u>2,512,169</u>
<b>Liabilities</b>		
Current Liabilities	91,288	74,525
<i>Total Liabilities</i>	<u>91,288</u>	<u>74,525</u>
<b>Net Assets</b>		
Invested in Capital Assets	112,790	182,232
Restricted	3,987	
Unrestricted	2,572,907	2,255,412
<i>Total Net Assets</i>	<u>\$ 2,689,684</u>	<u>\$ 2,437,644</u>

Total assets increased by \$268,803, which represents a 10.70 percent increase from fiscal year 2006. This increase is primarily the result of revenues exceeding expenses by \$252,040. While cash and cash equivalents increased by \$334,379, total receivables increased by \$3,849, which was due to the timing of receipts of some grants. Total liabilities increased by \$16,763, which represents a 22.49 percent increase from fiscal year 2006. This increase in liabilities resulted primarily from the Academy accruing a liability for the over payment of foundation monies.



**GLASS CITY ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses.

(Table 2)  
Change in Net Assets

	2007	2006
<b>Operating Revenues:</b>		
Foundation Payments	\$ 1,118,327	\$ 1,109,441
Poverty-Based Assistance		23,042
Special Education	47,759	61,522
Classroom Fees	1,724	1,142
Other	1,961	3,425
<i>Total Operating Revenues</i>	1,169,771	1,198,572
<b>Operating Expenses:</b>		
Salaries	528,170	502,089
Fringe Benefits	144,386	116,466
Purchased Services	233,116	153,830
Materials and Supplies	36,438	41,212
Depreciation Expense	69,442	52,350
Other Operating Expense	29,898	39,513
<i>Total Operating Expenses</i>	1,041,450	905,460
<b>Non-Operating Revenues:</b>		
Operating Grants - Federal		21,877
Operating Grants - State	10,675	31,852
Interest	113,044	70,356
<i>Total Non-Operating Revenues</i>	123,719	124,085
<i>Increase in Net Assets</i>	\$ 252,040	\$ 417,197

The Academy had total revenues of \$1,293,490, and total expenses of \$1,041,450. The change in net assets for the fiscal year was an increase of \$252,040.

State Foundation Basic Aid and Special Education, as a whole, are the primary support for the Academy, representing 99.69 percent of the operating revenue. Salaries and Fringe Benefits comprise 64.58 percent of operating expenses.

There was a decrease in revenues of \$29,167 and an increase in expenses of \$135,990. The decrease in revenues was primarily the result of no federal monies being received in 2007 and a reduction of foundation monies for a liability for a FTE adjustment at the end of the year. Higher expenses were attributable to the hiring of 5 new staff/teachers, legal expenses for the special use permit litigation, and a correction for a prior year error in depreciation expense.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2007, the Academy had \$112,790 (net of \$148,963 in accumulated depreciation) invested in furniture and equipment. Table 3 shows fiscal year 2007 balances compared to fiscal year 2006:

(Table 3)  
Capital Assets at June 30  
(Net of Depreciation)

	<u>2007</u>	<u>2006</u>
Furniture, Fixtures, and Equipment	<u>\$ 112,790</u>	<u>\$ 182,232</u>

For more information on capital assets see Note 4 to the basic financial statements.

**Current Financial Issues**

The Glass City Academy was formed in 2003. The Academy's financial relationship with the Lucas County Educational Service Center aids in the raising of the quality of financial records and strengthens internal controls. During the 2006-2007 school year, there were approximately 178 students enrolled in the Academy. The Academy receives its finances mostly from state aide. Per pupil aide for fiscal year 2007 amounted to \$5,403 per student.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Jan Pershing, Chief Administrator at Glass City Academy, 2275 Collingwood Blvd., Toledo, Ohio 43620-1148 or e-mail at [gca\\_jp@nwoca.org](mailto:gca_jp@nwoca.org).

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 2,662,750
Intergovernmental Receivable	3,849
Prepaid Items	1,583
<i>Total Current Assets</i>	<u>2,668,182</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net of Accumulated Depreciation	<u>112,790</u>
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<i>Total Assets</i>	<u>2,780,972</u>
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**Liabilities**

Current Liabilities:

Accounts Payable	14,090
Accrued Wages and Benefits	53,694
Intergovernmental Payable	<u>23,504</u>

<i>Total Current Liabilities</i>	<u>91,288</u>
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**Net Assets**

Invested in Capital Assets	112,790
Restricted	3,987
Unrestricted	<u>2,572,907</u>

<i>Total Net Assets</i>	<u>\$ 2,689,684</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Enterprise</u>
<b>Operating Revenues</b>	
Foundation Payments	\$ 1,118,327
Special Education	47,759
Classroom Fees	1,724
Other Operating Revenues	<u>1,961</u>
<i>Total Operating Revenues</i>	<u>1,169,771</u>
<b>Operating Expenses</b>	
Salaries	528,170
Fringe Benefits	144,386
Purchased Services	233,116
Materials and Supplies	36,438
Depreciation	69,442
Other Operating Expenses	<u>29,898</u>
<i>Total Operating Expenses</i>	<u>1,041,450</u>
<i>Operating Income</i>	<u>128,321</u>
<b>Non-Operating Revenues</b>	
Operating Grants - State	10,675
Interest	<u>113,044</u>
<i>Total Non-Operating Revenues</i>	<u>123,719</u>
<i>Change in Net Assets</i>	252,040
<i>Net Assets Beginning of Year</i>	<u>2,437,644</u>
<i>Net Assets End of Year</i>	<u><u>\$ 2,689,684</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GLASS CITY ACADEMY  
LUCAS COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Cash Flows from Operating Activities:

Cash Received from State of Ohio	1,176,860
Cash Received from Classroom Materials & Fees	1,724
Cash Received from Other Operating Sources	1,961
Cash Payments to Suppliers for Goods and Services	(293,697)
Cash Payments to Employees for Services	(528,410)
Cash Payments for Employee Benefits	(143,929)

*Net Cash Provided by Operating Activities* 214,509

Cash Flows from Noncapital Financing Activities:

Operating Grants Received - State 6,826

Cash Flows from Investing Activities:

Interest 113,044

*Net Increase in Cash and Cash Equivalents* 334,379

*Cash and Cash Equivalents at Beginning of Year* 2,328,371

*Cash and Cash Equivalents at End of Year* \$ 2,662,750

(Continued)

GLASS CITY ACADEMY  
LUCAS COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**Reconciliation of Operating Income to Net  
Cash Provided by Operating Activities:**

Operating Income \$ 128,321

**Adjustments to Reconcile Operating Income to  
Net Cash Provided by Operating Activities**

Depreciation	69,442
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(17)
Increase in Accounts Payable	5,453
Increase in Accrued Wages and Benefits	2,714
Increase in Intergovernmental Payable	8,596

*Total Adjustments* 86,188

*Net Cash Provided By Operating Activities* \$ 214,509

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Glass City Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of actions or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy's mission is to provide a second chance for dropout and highly at-risk youth to complete high school, learn readily marketable work skills, and explore post-secondary training options. The underlying philosophy of the Academy is that all students have a right to a challenging high school education with a focus on the future, provided in a manner that addresses individual academic, social, and behavioral needs. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing September 8, 2003. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy (see note 10).

The Academy operates under the direction of a seven-member Governing Board. The Governing 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 one instructional/support facility staffed by 4 non-certified and 10 certificated full time teaching personnel who provide services to 178 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

**E. Cash and Cash Equivalents**

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

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

During the year ended June 30, 2007, the Academy had only deposits.



**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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**

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 two thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Invested in capital assets consists 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. The Academy has no debt.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

Net assets are reported as restricted when there are limitations imposed on their used either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**K. Estimates**

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

**3. DEPOSITS**

At fiscal year end June 30, 2007, the carrying amount of the Academy's bank balance was \$2,662,750. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$2,482,258 of the bank balance of \$2,682,258 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
<b>Business-Type Activity</b>				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$ 261,753			\$ 261,753
<i>Total Capital Assets</i>				
Being Depreciated	261,753			261,753
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(79,521)	\$ (69,442)		(148,963)
<i>Total Accumulated Depreciation</i>	(79,521)	(69,442)		(148,963)
<i>Total Capital Assets</i>				
<i>Being Depreciated, Net</i>	182,232	(69,442)		112,790
<i>Business-Type Activity</i>				
<i>Capital Assets, Net</i>	<u>\$ 182,232</u>	<u>\$ (69,442)</u>		<u>\$ 112,790</u>

**5. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Academy contracted with Cincinnati Insurance Company for general liability, property, and Director and Officer errors and omissions insurance.

Coverages are as follows:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	1,000,000
Director and Officer Liability per occurrence (\$10,000 Deductible)	1,000,000
Director and Officer Liability aggregate	1,000,000
Commercial Property Liability:	
Business Property	500,000

The Academy owns no property, but leases a facility located at 2275 Collingwood Blvd., Toledo, Ohio. (See note 12)

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**5. RISK MANAGEMENT – (Continued)**

**B. Workers' Compensation**

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

**6. EMPLOYEE BENEFITS**

**Insurance Benefits**

The Academy contracted through the Lucas County Educational Service Center to provide medical, dental, and vision insurance to its full-time employees who work 35 or more hours per week.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability 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, by calling (800) 878-5853, or by visiting the SERS website at [ohsers.org](http://ohsers.org).

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 School District 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$13,488, \$6,657, and \$8,780 respectively; 92 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

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

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$59,018, \$51,530, and \$45,518, respectively; 86.6 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2007 were \$64,944, made by the Academy, and \$43,774 made by the plan members.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$4,639 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount to fund health care benefits, including the surcharge, was \$5,106 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**9. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. ODE has conducted a review of the Academy's 2007 student enrollment data and FTE calculations. For the fiscal year 2007, the results of this review resulted in a decrease of \$10,774 that is reflected as an intergovernmental payable on the financial statements.

**C. Litigation**

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Glass City Academy cannot presently be determined.

**10. FISCAL AGENT**

The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to the Academy from the State of Ohio. The amount paid to the Fiscal Agent for fiscal year 2007 totaled \$21,332, and a liability in the amount of \$2,342 was accrued for the year ended June 30, 2007.

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

- A. Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor's or any other Community School's funds;
- B. Maintain all books and accounts of all funds of the Academy;
- C. Maintain all financial records of all state funds of the Academy and follow State Auditor procedures for receiving and expending state funds;

**GLASS CITY ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**10. FISCAL AGENT – (Continued)**

- D. Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- E. Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other Community School; and
- F. Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrator of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

**11. PURCHASED SERVICES**

For the year ended June 30, 2007, purchased service expenses were payments for services rendered, as follows:

Professional and Technical Services	\$ 157,330
Property Services	67,171
Travel Mileage/Meeting Expense	2,221
Communications	<u>6,394</u>
<i>Total Purchased Services</i>	<u>\$ 233,116</u>

**12. OPERATING LEASES – LESSEE DISCLOSURE**

The Academy entered into a lease for the period September 1, 2005, through August 31, 2006, with the Sponsor to lease space to house the Academy. In September 2006, the Academy renewed the lease for an additional one-year term at a cost of \$56,228, payable in 12 monthly payments. Payments made totaled \$55,781 for the year ended June 30, 2007.

**13. RECEIVABLES**

Receivables at June 30, 2007 consisted of a State grant revenue receivable which is considered collectible in full, due to the stable condition of State programs. The receivable is for the Core Implementation grant in the amount of \$3,849.





# Mary Taylor, CPA

Auditor of State

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

Glass City Academy  
Lucas County  
2275 Collingwood Blvd.  
Toledo, Ohio 43620-1148

To the Governing Board:

We have audited the financial statements of Glass City Academy, Lucas County (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We noted a certain matter that we reported to the Academy's management in a separate letter dated February 28, 2008.

#### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the audit committee, management, Governing Board, and Sponsor. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

February 28, 2008



**Mary Taylor, CPA**  
Auditor of State

**GLASS CITY ACADEMY**

**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  
MARCH 25, 2008**