



Dave Yost • Auditor of State

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Academy, Seneca County, Ohio (the Academy), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 21, 2016

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

The management's discussion and analysis of North Central Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- In total, net position was \$212,571 at June 30, 2015.
- The Academy had operating revenues of \$854,689, operating expenses of \$848,921 and non-operating revenues of \$66,268 during fiscal year 2015. The total change in net position for the year was an increase of \$72,036.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions to determine how well the Academy has performed financially through June 30, 2015. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

The table below provides a summary of the Academy's net position for fiscal years 2015 and 2014.

	Net Position	
	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets	\$ 150,230	\$ 67,816
Capital assets, net	<u>64,703</u>	<u>107,902</u>
Total assets	<u>214,933</u>	<u>175,718</u>
<u>Liabilities</u>		
Current liabilities	<u>2,362</u>	<u>35,183</u>
Total liabilities	<u>2,362</u>	<u>35,183</u>
<u>Net Position</u>		
Net investment in capital assets	64,703	107,902
Restricted	10,795	6,110
Unrestricted	<u>137,073</u>	<u>26,523</u>
Total net position	<u><u>\$ 212,571</u></u>	<u><u>\$ 140,535</u></u>

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2015, the Academy's net position totaled \$212,571.

Current assets represent cash held in a depository account, materials and supplies inventory and intergovernmental receivables. The intergovernmental receivables are due from federal grants and the Ohio Department of Education as a result of the fiscal year 2015 enrollment data and full-time equivalency review.

Current liabilities represent accounts and intergovernmental payables for purchased services and material and supplies.

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

The table below shows the changes in net position for fiscal years 2015 and 2014.

Change in Net Position

	2015	2014
<u>Operating Revenues:</u>		
State foundation	\$ 616,033	\$ 597,092
State foundation - special education	230,649	127,812
Sales / charges for services	7,501	609
Other	506	625
Total operating revenue	854,689	726,138
<u>Operating Expenses:</u>		
Purchased services	760,141	870,010
Materials and supplies	14,370	17,162
Other	24,302	33,426
Depreciation	50,108	69,510
Total operating expenses	848,921	990,108
<u>Non-operating Revenues:</u>		
Federal and State grants	66,268	62,858
Interest income	-	2
Total non-operating revenues	66,268	62,860
Change in net position	72,036	(201,110)
Net position at beginning of period	140,535	341,645
Net position at end of period	\$ 212,571	\$ 140,535

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 91.94% of total operating and non-operating revenues during fiscal year 2015. Purchased services comprise 89.54% of operating expenses during fiscal year 2015.

The purchased services decreased \$109,869 from fiscal year 2014. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the "ESC"). This decrease can be attributed to a decrease in many expenses related to operating the Academy and provide personnel services to the students.

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

Capital Assets

At June 30, 2015, Academy had \$64,703 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

	<u>2015</u>	<u>2014</u>
<u>Capital assets, net of depreciation</u>		
Building improvements	\$ -	\$ 218
Furniture, fixtures, and equipment	<u>64,703</u>	<u>107,684</u>
Total net assets	<u>\$ 64,703</u>	<u>\$ 107,902</u>

Debt Administration

At June 30, 2015, the Academy had no debt obligations outstanding.

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. Fiscal year 2015 is the Academy's fifth year of operations as an at-risk school serving students in grades 6-12.

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

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

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mandy G. France, Treasurer, North Central Academy, Fiscal Office, 333 East Center Street, Marion, Ohio 43302-4101.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

Assets:	
Current assets:	
Cash	\$ 148,638
Receivables:	
Intergovernmental.	1,315
Materials and supplies inventory.	<u>277</u>
Total current assets	<u>150,230</u>
Non-current assets:	
Depreciable capital assets, net	<u>64,703</u>
Total assets.	<u>214,933</u>
Liabilities:	
Current liabilities:	
Accounts payable.	863
Intergovernmental payable	<u>1,499</u>
Total liabilities	<u>2,362</u>
Net position:	
Investment in capital assets.	64,703
Restricted for:	
Public school support	232
Federal programs.	3,396
Other purposes	7,167
Unrestricted.	<u>137,073</u>
Total net position.	<u><u>\$ 212,571</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Operating revenues:	
State foundation	\$ 616,033
State foundation - special education	230,649
Sales	7,501
Other	506
Total operating revenues	<u>854,689</u>
 Operating expenses:	
Purchased services.	760,141
Materials and supplies	14,370
Other.	24,302
Depreciation	50,108
Total operating expenses.	<u>848,921</u>
 Operating income	 <u>5,768</u>
 Non-operating revenues:	
Federal and state grants.	<u>66,268</u>
 Change in net position	 72,036
 Net position at beginning of year.	 <u>140,535</u>
 Net position at end of year	 <u><u>\$ 212,571</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:

Cash received from State foundation	\$	833,531
Cash received from sales		7,501
Cash received from other operations		506
Cash payments for contractual services		(781,214)
Cash payments for materials and supplies		(14,069)
Cash payments for other expenses		(24,261)
		21,994
Net cash provided by operating activities		21,994

Cash flows from noncapital financing activities:

Cash received from federal and state grants		105,995
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**Cash flows from capital and related
financing activities:**

Acquisition of capital assets		(6,909)
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Net increase in cash and cash equivalents		121,080
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Cash and cash equivalents at beginning of year		27,558
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Cash and cash equivalents at end of year		\$ 148,638
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**Reconciliation of operating income to net
cash provided by operating activities:**

Operating income	\$	5,768
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Adjustments:

Depreciation		50,108
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Changes in assets and liabilities:

Increase in materials and supplies inventory		(277)
Increase in intergovernmental receivable.		(784)
Increase in accounts payable.		547
Decrease in intergovernmental payable.		(33,368)
		(33,368)

Net cash provided by operating activities	\$	21,994
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy (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 has a signed contract agreement with the Academy that includes all purchased services including a licensed Treasurer, staff, therapists, etc. 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 2015 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

E. Cash

Cash held by the Academy is reflected on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2015, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

F. Inventory

Inventories are presented at the lower of cost or market on a first in, first out basis and are expensed when used. Inventories consist of expendable supplies held for consumption.

G. 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.

H. Net Position

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

I. 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. 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.

J. Intergovernmental Revenue

The Academy recently participated in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, and the Improving Teacher Quality Title II-A grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2015 was \$846,682. 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 2015 was \$66,268.

K. 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.

L. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2015. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Academy.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2015, the carrying amount of the Academy's deposits was \$148,638. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, the Academy's entire bank balance of \$148,638 was covered by the Federal Deposit Insurance Corporation (FDIC). The Academy had no investments.

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2015:

	Balance <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/15</u>
Capital assets, being depreciated:				
Building improvements	\$ 4,373	\$ -	\$ -	\$ 4,373
Furniture, fixtures and equipment	<u>343,171</u>	<u>6,909</u>	<u>-</u>	<u>350,080</u>
Total capital assets	<u>347,544</u>	<u>6,909</u>	<u>-</u>	<u>354,453</u>
Accumulated depreciation:				
Building improvements	(4,155)	(218)	-	(4,373)
Furniture, fixtures and equipment	<u>(235,487)</u>	<u>(49,890)</u>	<u>-</u>	<u>(285,377)</u>
Total accumulated depreciation	<u>(239,642)</u>	<u>(50,108)</u>	<u>-</u>	<u>(289,750)</u>
Capital assets, net	<u>\$107,902</u>	<u>\$ (43,199)</u>	<u>\$ -</u>	<u>\$ 64,703</u>

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6 - RECEIVABLES

Intergovernmental receivables at June 30, 2015 consisted of \$531 related to the Improving Teacher Quality grant and \$784 in State Foundation Funding. These receivables are expected to be collected in the subsequent year.

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2015, purchased services expenses were as follows:

Professional and technical services	\$ 679,052
Property services	54,613
Travel and meetings	1,760
Communications	10,887
Pupil transportation	<u>13,829</u>
Total	<u>\$ 760,141</u>

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2015, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer.

NOTE 9 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 are 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 effect on the financial position of the Academy.

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.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 – CONTINGENCIES (Continued)

C. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2015 reviews, ODE owed the Academy \$784 and has reported this amount as an intergovernmental receivable on the statement of net position.

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school; therefore, the financial statement impact is not determinable at this time. ODE and management believe this could result in either a receivable to or liability of the School.

NOTE 10 - SERVICE AGREEMENT

The Academy contracted with the Sponsor to provide oversight of its operations for an initial term of one year, commencing on July 1, 2014 and ending on June 30, 2015. The agreement automatically renews for successive one year periods from July 1 through June 30. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$809,204 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2015.

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**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

The management's discussion and analysis of North Central Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position was \$140,535 at June 30, 2014.
- The Academy had operating revenues of \$726,138, operating expenses of \$990,108 and non-operating revenues of \$62,860 during fiscal year 2014. The total change in net position for the year was a decrease of \$201,110.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions to determine how well the Academy has performed financially through June 30, 2014. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The table below provides a summary of the Academy's net position for fiscal years 2014 and 2013.

	2014	2013
<u>Assets</u>		
Current assets	\$ 67,816	\$ 164,233
Capital assets, net	107,902	177,412
Total assets	175,718	341,645
<u>Liabilities</u>		
Current liabilities	35,183	-
Total liabilities	35,183	-
<u>Net Position</u>		
Invested in capital assets	107,902	177,412
Restricted	6,110	6,451
Unrestricted	26,523	157,782
Total net position	\$ 140,535	\$ 341,645

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2014, the Academy's net position totaled \$140,535.

Current assets represent cash held in a depository account and intergovernmental receivables from federal grants.

Current liabilities represent accounts payable for purchased services and material and supplies and an intergovernmental payable to the Ohio Department of Education as a result of the fiscal year 2014 enrollment data and full-time equivalency review.

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The table below shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	2014	2013
<u>Operating Revenues:</u>		
State foundation	\$ 597,092	\$ 671,170
Special education	127,812	110,240
Sales / charges for services	609	2,348
Other	625	2,722
Total operating revenue	726,138	786,480
<u>Operating Expenses:</u>		
Purchased services	870,010	763,531
Materials and supplies	17,162	30,506
Other	33,426	70,555
Depreciation	69,510	68,975
Total operating expenses	990,108	933,567
<u>Non-operating Revenues:</u>		
Federal and State grants	62,858	65,662
Interest income	2	776
Total non-operating revenues	62,860	66,438
Change in net position	(201,110)	(80,649)
Net position at beginning of period	341,645	422,294
Net position at end of period	\$ 140,535	\$ 341,645

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 91.88% of total operating and non-operating revenues during fiscal year 2014. Purchased services comprise 87.87% of operating expenses during fiscal year 2014.

The purchased services increased \$106,479 from fiscal year 2013. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the "ESC"). This increase can be attributed to an increase in many expenses related to operating the Academy and provide personnel services to the students.

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

Capital Assets

At June 30, 2014, Academy had \$107,902 invested in building improvements and furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

	<u>2014</u>	<u>2013</u>
<u>Capital assets, net of depreciation</u>		
Building improvements	\$ 218	\$ 1,093
Furniture, fixtures, and equipment	<u>107,684</u>	<u>176,319</u>
Total net assets	<u>\$ 107,902</u>	<u>\$ 177,412</u>

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. Fiscal year 2014 is the Academy's fourth year of operations as an at-risk school serving students in grades 6-12.

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

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

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mandy G. France, Treasurer, North Central Academy, Fiscal Office, 333 East Center Street, Marion, Ohio 43302-4101.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Current assets:

Cash	\$	27,558
Receivables:		
Intergovernmental.		40,258
Total current assets		67,816

Non-current assets:

Depreciable capital assets, net		107,902
Total assets.		175,718

Liabilities:

Current liabilities:

Accounts payable.		316
Intergovernmental payable		34,867
Total liabilities		35,183

Net position:

Investment in capital assets.		107,902
Restricted for:		
Restricted for public school support		1,585
Restricted for federal programs		5
Restricted for other purposes.		4,520
Unrestricted.		26,523
Total net position.	\$	140,535

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating revenues:	
State foundation	\$ 597,092
State foundation - special education	127,812
Sales	609
Other	625
Total operating revenues	<u>726,138</u>
 Operating expenses:	
Purchased services.	870,010
Materials and supplies	17,162
Other.	33,426
Depreciation	69,510
Total operating expenses.	<u>990,108</u>
 Operating loss	 <u>(263,970)</u>
 Non-operating revenues:	
Federal and state grants	62,858
Interest revenue	2
Total nonoperating revenues	<u>62,860</u>
 Change in net position	 (201,110)
 Net position at beginning of year.	 <u>341,645</u>
 Net position at end of year	 <u>\$ 140,535</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:

Cash received from State foundation	\$	737,271
Cash received from sales		609
Cash received from other operations		918
Cash payments for contractual services		(847,310)
Cash payments for materials and supplies		(17,046)
Cash payments for other expenses		(33,719)
Net cash used in operating activities		<u>(159,277)</u>

Cash flows from noncapital financing activities:

Cash received from federal and state grants		<u>22,600</u>
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Cash flows from investing activities:

Interest received		<u>2</u>
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Net decrease in cash and cash equivalents		(136,675)
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Cash and cash equivalents at beginning of year		164,233
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Cash and cash equivalents at end of year	\$	<u><u>27,558</u></u>
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**Reconciliation of operating loss to net
cash used in operating activities:**

Operating loss	\$	(263,970)
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Adjustments:

Depreciation		69,510
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Changes in assets and liabilities:

Increase in accounts payable		316
Increase in intergovernmental payable		<u>34,867</u>

Net cash used in operating activities	\$	<u><u>(159,277)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy (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 2014 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash

Cash held by the Academy is reflected on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2014, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

F. Capital Assets

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

G. Net Position

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

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales. 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.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

I. Intergovernmental Revenue

The Academy recently participated in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, and the Improving Teacher Quality Title II-A grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2014 was \$724,904. 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 2014 was \$62,858.

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, 2014. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2014, the carrying amount of the Academy's deposits was \$27,558. Based on the criteria described in GASB Statement No. 40, *"Deposits and Investment Risk Disclosures"*, as of June 30, 2014, the Academy's entire bank balance of \$27,558 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2014:

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
Capital assets, being depreciated:				
Building improvements	\$ 4,373	\$ -	\$ -	\$ 4,373
Furniture, fixtures and equipment	<u>343,171</u>	<u>-</u>	<u>-</u>	<u>343,171</u>
Total capital assets	<u>347,544</u>	<u>-</u>	<u>-</u>	<u>347,544</u>
 Accumulated depreciation:				
Building improvements	(3,280)	(875)	-	(4,155)
Furniture, fixtures and equipment	<u>(166,852)</u>	<u>(68,635)</u>	<u>-</u>	<u>(235,487)</u>
Total accumulated depreciation	<u>(170,132)</u>	<u>(69,510)</u>	<u>-</u>	<u>(239,642)</u>
 Capital assets, net	 <u>\$177,412</u>	 <u>\$ (69,510)</u>	 <u>\$ -</u>	 <u>\$107,902</u>

NOTE 6 - RECEIVABLES

Intergovernmental receivables at June 30, 2014 consisted of \$40,258 due related to the IDEA Part B grant, Title I grant, and the Improving Teacher Quality grant. These receivables are expected to be collected in the subsequent year.

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 767,206
Property services	76,018
Travel and meetings	3,550
Communications	12,631
Pupil transportation	<u>10,605</u>
 Total	 <u>\$870,010</u>

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, 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.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 9 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 are 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 effect on the financial position of the Academy.

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 (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2014 reviews, the Academy owed ODE \$12,367 and has reported this amount as an intergovernmental payable on the statement of net position.

NOTE 10 - SERVICE AGREEMENT

The Academy contracted with the Sponsor to manage its operations for an initial term of one year, commencing on July 1, 2013 and ending on June 30, 2014. The agreement automatically renews for successive one year periods from July 1 through June 30. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$715,451 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2014.



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of North Central Academy, Seneca County, Ohio (the Academy) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

April 21, 2016



Dave Yost • Auditor of State

NORTH CENTRAL ACADEMY

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2016**