



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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NORTH CENTRAL ACADEMY  
SENECA COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2017-2016  
Fiscal Year Audited Under GAGAS: 2017-2016

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# Dave Yost • Auditor of State

Board of Directors  
North Central Academy  
928 West Market Street  
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the North Central Academy, Seneca County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2015 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 8, 2018

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*North Central Academy*  
*Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017 and 2016*  
*Table of Contents*

| <u>TITLE</u>  | <u>PAGE</u> |
|---|-------------|
| Independent Auditor’s Report.....   | 1           |
| Management’s Discussion and Analysis – For the Fiscal Year Ended June 30, 2017 .....  | 3           |
| <b>Basic Financial Statements – For the Fiscal Year Ended June 30, 2017:</b>  |             |
| Statement of Net Position.....  | 7           |
| Statement of Revenues, Expenses and Changes in Net Position.....  | 8           |
| Statement of Cash Flows .....   | 9           |
| Notes to the Basic Financial Statements<br>For the Fiscal Year Ended June 30, 2017.....   | 10          |
| Management’s Discussion and Analysis – For the Fiscal Year Ended June 30, 2016 .....  | 17          |
| <b>Basic Financial Statements – For the Fiscal Year Ended June 30, 2016:</b>  |             |
| Statement of Net Position.....  | 21          |
| Statement of Revenues, Expenses and Changes in Net Position.....  | 22          |
| Statement of Cash Flows .....   | 23          |
| Notes to the Basic Financial Statements<br>For the Fiscal Year Ended June 30, 2016.....   | 24          |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other<br>Matters Required by <i>Government Auditing Standards</i> ..... | 30          |

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## **Independent Auditor's Report**

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

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, 2017 and 2016, 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 such 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 respective financial position of North Central Academy, Seneca County, Ohio, as of June 30, 2017 and 2016, and the respective changes in financial position and 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 December 22, 2017, 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.

*BHM CPA Group*

BHM CPA Group  
Piketon, Ohio  
December 22, 2017



**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

The management's discussion and analysis of North Central Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2017. 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 fiscal year 2017 are as follows:

- In total, net position decreased \$57,960 which represents a 49.00% decrease from 2016.
- The Academy had operating revenues of \$1,036,926, operating expenses of \$1,171,929 and non-operating revenues of \$77,043 during fiscal year 2017. The total change in net position for the year was a decrease of \$57,960.

**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, 2017. 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, 2017  
(Unaudited)

The table below provides a summary of the Academy's net position for at June 30, 2017 and June 30, 2016.

|                              | <b>Net Position</b> |                   |
|------------------------------|---------------------|-------------------|
|                              | <u>2017</u>         | <u>2016</u>       |
| <b><u>Assets</u></b>         |                     |                   |
| Current assets               | \$ 54,736           | \$ 108,715        |
| Capital assets, net          | <u>6,566</u>        | <u>24,552</u>     |
| Total assets                 | <u>61,302</u>       | <u>133,267</u>    |
| <b><u>Liabilities</u></b>    |                     |                   |
| Current liabilities          | <u>981</u>          | <u>14,986</u>     |
| Total liabilities            | <u>981</u>          | <u>14,986</u>     |
| <b><u>Net Position</u></b>   |                     |                   |
| Investment in capital assets | 6,566               | 24,552            |
| Restricted                   | 8,198               | 9,514             |
| Unrestricted                 | <u>45,557</u>       | <u>84,215</u>     |
| Total net position           | <u>\$ 60,321</u>    | <u>\$ 118,281</u> |

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2017, the Academy's net position totaled \$60,321.

Current assets represent cash held in a depository account, prepayments and materials and supplies inventory. The decrease is primarily related to the spending down of cash during fiscal year 2017.

Current liabilities represent accounts and intergovernmental payables for purchased services and material and supplies and amounts due to ODE as a result of the fiscal year 2017 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, 2017  
(Unaudited)

The table below shows the changes in net position for fiscal years 2017 and 2016.

**Change in Net Position**

|                                       | 2017       | 2016       |
|---------------------------------------|------------|------------|
| <b><u>Operating Revenues:</u></b>     |            |            |
| State foundation                      | \$ 701,003 | \$ 583,656 |
| State foundation - special education  | 327,687    | 304,760    |
| Tuition and fees                      | 1,065      | 2,550      |
| Sales                                 | 2,960      | 2,482      |
| Other                                 | 4,211      | 246        |
| Total operating revenue               | 1,036,926  | 893,694    |
| <b><u>Operating Expenses:</u></b>     |            |            |
| Fringe benefits                       | 17         | 3,201      |
| Purchased services                    | 1,088,928  | 957,219    |
| Materials and supplies                | 25,072     | 20,767     |
| Other                                 | 37,534     | 46,640     |
| Depreciation                          | 20,378     | 40,151     |
| Total operating expenses              | 1,171,929  | 1,067,978  |
| <b><u>Non-operating Revenues:</u></b> |            |            |
| Federal and State grants              | 77,043     | 79,994     |
| Total non-operating revenues          | 77,043     | 79,994     |
| Change in net position                | (57,960)   | (94,290)   |
| Net position at beginning of year     | 118,281    | 212,571    |
| Net position at end of year           | \$ 60,321  | \$ 118,281 |

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 92.34% of total operating and non-operating revenues during fiscal year 2017. Purchased services comprise 92.92% of operating expenses during fiscal year 2017.

The purchased services increased \$131,709 from fiscal year 2016. 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, 2017  
(Unaudited)

**Capital Assets**

At June 30, 2017, Academy had \$6,566 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>2017</u>            | <u>2016</u>             |
|---|------------------------|-------------------------|
| <b><u>Capital assets, net of depreciation</u></b> |                        |                         |
| Building improvements                             | \$ -                   | \$ -                    |
| Furniture, fixtures, and equipment                | <u>6,566</u>           | <u>24,552</u>           |
| Total net position                                | <u><u>\$ 6,566</u></u> | <u><u>\$ 24,552</u></u> |

**Debt Administration**

At June 30, 2017, 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 2017 is the Academy's eighth 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, make it a constant challenge to meet the needs of our Academy.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC 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 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 Lynette Cameron, Treasurer, North Central Academy, 928 W. Market Street, Tiffin, Ohio 44883.

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

STATEMENT OF NET POSITION  
JUNE 30, 2017

|   |                  |
|---|------------------|
| <b>Assets:</b>                            |                  |
| Current assets:                           |                  |
| Cash . . . . .                            | \$ 54,182        |
| Prepayments . . . . .                     | 100              |
| Materials and supplies inventory. . . . . | 454              |
| Total current assets . . . . .            | <u>54,736</u>    |
| Non-current assets:                       |                  |
| Depreciable capital assets, net . . . . . | <u>6,566</u>     |
| Total assets. . . . .                     | <u>61,302</u>    |
| <b>Liabilities:</b>                       |                  |
| Current liabilities:                      |                  |
| Accounts payable. . . . .                 | 505              |
| Intergovernmental payable . . . . .       | <u>476</u>       |
| Total liabilities . . . . .               | <u>981</u>       |
| <b>Net position:</b>                      |                  |
| Investment in capital assets. . . . .     | 6,566            |
| Restricted for:                           |                  |
| Public school support . . . . .           | 2,314            |
| Locally funded programs. . . . .          | 1,250            |
| Other purposes . . . . .                  | 4,634            |
| Unrestricted. . . . .                     | <u>45,557</u>    |
| Total net position. . . . .               | <u>\$ 60,321</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, 2017

|   |                  |
|---|------------------|
| <b>Operating revenues:</b>                            |                  |
| State foundation . . . . .                            | \$ 701,003       |
| State foundation - special education . . . . .        | 327,687          |
| Tuition and fees. . . . .                             | 1,065            |
| Sales . . . . .                                       | 2,960            |
| Other . . . . .                                       | 4,211            |
| Total operating revenues . . . . .                    | 1,036,926        |
| <br><b>Operating expenses:</b>                        |                  |
| Fringe benefits. . . . .                              | 17               |
| Purchased services. . . . .                           | 1,088,928        |
| Materials and supplies . . . . .                      | 25,072           |
| Other. . . . .  | 37,534           |
| Depreciation . . . . .                                | 20,378           |
| Total operating expenses. . . . .                     | 1,171,929        |
| <br>Operating loss . . . . .                          | <br>(135,003)    |
| <br><b>Non-operating revenues:</b>                    |                  |
| Federal and state grants. . . . .                     | 77,043           |
| Total nonoperating revenues . . . . .                 | 77,043           |
| <br>Change in net position . . . . .                  | <br>(57,960)     |
| <br><b>Net position at beginning of year. . . . .</b> | <br>118,281      |
| <b>Net position at end of year . . . . .</b>          | <b>\$ 60,321</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   |              |
|---|--------------|
| <b>Cash flows from operating activities:</b>                                      |              |
| Cash received from State foundation . . . . .                                     | \$ 1,016,948 |
| Cash received from tuition and fees . . . . .                                     | 1,065        |
| Cash received from sales . . . . .  | 2,960        |
| Cash received from other operations . . . . .                                     | 4,211        |
| Cash payments for fringe benefits . . . . .                                       | (18)         |
| Cash payments for contractual services . . . . .                                  | (1,090,928)  |
| Cash payments for materials and supplies . . . . .                                | (24,904)     |
| Cash payments for other expenses . . . . .  | (37,714)     |
|   | (128,380)    |
| <b>Net cash used in operating activities . . . . .</b>                            |              |
| <b>Cash flows from noncapital financing activities:</b>                           |              |
| Cash received from federal and state grants . . . . .                             | 77,043       |
|   | 77,043       |
| <b>Net cash provided by noncapital financing activities.</b>                      |              |
| <b>Cash flows from capital and related financing activities:</b>                  |              |
| Acquisition of capital assets . . . . .   | (2,392)      |
|   | (2,392)      |
| <b>Net cash used in capital and related financing activities. . . . .</b>         |              |
|   | (2,392)      |
| <b>Net decrease in cash and cash equivalents . . . . .</b>                        |              |
|   | (53,729)     |
| <b>Cash and cash equivalents at beginning of year . . . . .</b>                   |              |
|   | 107,911      |
| <b>Cash and cash equivalents at end of year . . . . .</b>                         |              |
|   | \$ 54,182    |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |              |
| Operating loss . . . . .  | \$ (135,003) |
| Adjustments:  |              |
| Depreciation . . . . .  | 20,378       |
| Changes in assets and liabilities:  |              |
| Prepayments . . . . .   | (100)        |
| Materials and supplies inventory . . . . .  | 279          |
| Intergovernmental receivable. . . . .   | 71           |
| Accounts payable. . . . .   | (638)        |
| Intergovernmental payable. . . . .  | (13,367)     |
|   | (13,367)     |
| <b>Net cash used in operating activities . . . . .</b>                            |              |
|   | \$ (128,380) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 2017 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.

**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.



**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**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. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

**E. 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.

**F. 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 2017, 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, 2017

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

**G. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**H. 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.

**I. 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. During fiscal year 2017, the Academy maintained a capitalization threshold of \$1,000. 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.

**J. 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, locally 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.

**K. 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, 2017

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

**L. 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 2017 was \$1,028,690. 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, State and local grant revenue for the fiscal year 2017 was \$77,043.

**M. Estimates**

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

**N. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2017. These expenses are reported as accrued liabilities in the accompanying financial statements.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2017, the Academy has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Academy.

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2017, the carrying amount of the Academy's deposits was \$54,182. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, the Academy's entire bank balance of \$55,870 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, 2017:

|                                    | Balance          |                    |                   | Balance          |
|------------------------------------|------------------|--------------------|-------------------|------------------|
|                                    | <u>06/30/16</u>  | <u>Additions</u>   | <u>Deductions</u> | <u>06/30/17</u>  |
| Capital assets, being depreciated: |                  |                    |                   |                  |
| Building improvements              | \$ 4,373         | \$ -               | \$ -              | \$ 4,373         |
| Furniture, fixtures and equipment  | <u>350,080</u>   | <u>2,392</u>       | <u>-</u>          | <u>352,472</u>   |
| Total capital assets               | <u>354,453</u>   | <u>2,392</u>       | <u>-</u>          | <u>356,845</u>   |
| Accumulated depreciation:          |                  |                    |                   |                  |
| Building improvements              | (4,373)          | -                  | -                 | (4,373)          |
| Furniture, fixtures and equipment  | <u>(325,528)</u> | <u>(20,378)</u>    | <u>-</u>          | <u>(345,906)</u> |
| Total accumulated depreciation     | <u>(329,901)</u> | <u>(20,378)</u>    | <u>-</u>          | <u>(350,279)</u> |
| Capital assets, net                | <u>\$ 24,552</u> | <u>\$ (17,986)</u> | <u>\$ -</u>       | <u>\$ 6,566</u>  |

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2017, purchased services expenses were as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 1,006,431        |
| Property services                   | 48,876              |
| Travel and meetings                 | 7,263               |
| Communications                      | 10,766              |
| Pupil transportation                | 14,703              |
| Other                               | <u>889</u>          |
| Total                               | <u>\$ 1,088,928</u> |

**NOTE 7 - 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 2017, 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 8 - 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 2017 reviews, the Academy owed ODE \$476 and has reported this amount as an intergovernmental payable 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, 2017 foundation funding for the Academy; therefore, the final financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy. The final adjustment to state funding is expected to be immaterial.

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 9 - SERVICE AND LEASE AGREEMENT**

The Academy contracted with the Sponsor to provide oversight of its operations for an initial term of one year, commencing on July 1, 2016 and ending on June 30, 2017. The Academy and Sponsor approved a five-year sponsorship agreement for fiscal years 2018-2022 that will go through June 30, 2022. All services are to be provided on a purchased service or reimbursement basis.

The Academy also entered into a lease agreement with the Sponsor to rent 928 West Market Street, Suite B, Tiffin, Ohio, from the Sponsor. The terms of the lease are for five years commencing on July 1, 2015 and ending on June 30, 2020. The Academy is to pay \$25,000 per year payable in monthly installments of \$2,083.33

The Academy paid \$455,533 to the Sponsor for educational, fiscal and administrative services as well as rent for the fiscal year ended June 30, 2017.

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**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Unaudited)

The management's discussion and analysis of North Central Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. 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 fiscal year 2016 are as follows:

- In total, net position decreased \$94,290 which represents a 44.36% decrease from 2015.
- The Academy had operating revenues of \$893,694, operating expenses of \$1,067,978 and non-operating revenues of \$79,994 during fiscal year 2016. The total change in net position for the year was a decrease of \$94,290.

**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, 2016. 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, 2016  
(Unaudited)

The table below provides a summary of the Academy's net position for at June 30, 2016 and June 30, 2015.

|                              | <b>Net Position</b> |                   |
|------------------------------|---------------------|-------------------|
|                              | <u>2016</u>         | <u>2015</u>       |
| <b><u>Assets</u></b>         |                     |                   |
| Current assets               | \$ 108,715          | \$ 150,230        |
| Capital assets, net          | <u>24,552</u>       | <u>64,703</u>     |
| Total assets                 | <u>133,267</u>      | <u>214,933</u>    |
| <b><u>Liabilities</u></b>    |                     |                   |
| Current liabilities          | <u>14,986</u>       | <u>2,362</u>      |
| Total liabilities            | <u>14,986</u>       | <u>2,362</u>      |
| <b><u>Net Position</u></b>   |                     |                   |
| Investment in capital assets | 24,552              | 64,703            |
| Restricted                   | 9,514               | 10,795            |
| Unrestricted                 | <u>84,215</u>       | <u>137,073</u>    |
| Total net position           | <u>\$ 118,281</u>   | <u>\$ 212,571</u> |

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2016, the Academy's net position totaled \$118,281.

Current assets represent cash held in a depository account, materials and supplies inventory and intergovernmental receivables. The intergovernmental receivables are due from 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 and amounts due to ODE as a result of the fiscal year 2016 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, 2016  
(Unaudited)

The table below shows the changes in net position for fiscal years 2016 and 2015.

**Change in Net Position**

|                                       | 2016       | 2015       |
|---------------------------------------|------------|------------|
| <b><u>Operating Revenues:</u></b>     |            |            |
| State foundation                      | \$ 583,656 | \$ 616,033 |
| State foundation - special education  | 304,760    | 230,649    |
| Tuition and fees                      | 2,550      | -          |
| Sales                                 | 2,482      | 7,501      |
| Other                                 | 246        | 506        |
| Total operating revenue               | 893,694    | 854,689    |
| <b><u>Operating Expenses:</u></b>     |            |            |
| Fringe benefits                       | 3,201      | -          |
| Purchased services                    | 957,219    | 760,141    |
| Materials and supplies                | 20,767     | 14,370     |
| Other                                 | 46,640     | 24,302     |
| Depreciation                          | 40,151     | 50,108     |
| Total operating expenses              | 1,067,978  | 848,921    |
| <b><u>Non-operating Revenues:</u></b> |            |            |
| Federal and State grants              | 79,994     | 66,268     |
| Total non-operating revenues          | 79,994     | 66,268     |
| Change in net position                | (94,290)   | 72,036     |
| Net position at beginning of year     | 212,571    | 140,535    |
| Net position at end of year           | \$ 118,281 | \$ 212,571 |

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 91.24% of total operating and non-operating revenues during fiscal year 2016. Purchased services comprise 89.63% of operating expenses during fiscal year 2016.

The purchased services increased \$197,078 from fiscal year 2015. 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, 2016  
(Unaudited)

**Capital Assets**

At June 30, 2016, Academy had \$24,552 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

|   | 2016      | 2015      |
|---|-----------|-----------|
| <b><u>Capital assets, net of depreciation</u></b> |           |           |
| Building improvements                             | \$ -      | \$ -      |
| Furniture, fixtures, and equipment                | 24,552    | 64,703    |
| Total net position                                | \$ 24,552 | \$ 64,703 |

**Debt Administration**

At June 30, 2016, 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 2016 is the Academy’s sixth 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, make it a constant challenge to meet the needs of our Academy.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC 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 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 Lynette Cameron, Treasurer, North Central Academy, 928 W. Market Street, Tiffin, Ohio 44883.

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

STATEMENT OF NET POSITION  
JUNE 30, 2016

|   |                   |
|---|-------------------|
| <b>Assets:</b>                            |                   |
| Current assets:                           |                   |
| Cash . . . . .                            | \$ 107,911        |
| Receivables:                              |                   |
| Intergovernmental. . . . .                | 71                |
| Materials and supplies inventory. . . . . | 733               |
| Total current assets . . . . .            | <u>108,715</u>    |
| Non-current assets:                       |                   |
| Depreciable capital assets, net . . . . . | <u>24,552</u>     |
| Total assets. . . . .                     | <u>133,267</u>    |
| <br><b>Liabilities:</b>                   |                   |
| Current liabilities:                      |                   |
| Accounts payable. . . . .                 | 1,143             |
| Intergovernmental payable . . . . .       | <u>13,843</u>     |
| Total liabilities . . . . .               | <u>14,986</u>     |
| <br><b>Net position:</b>                  |                   |
| Investment in capital assets. . . . .     | 24,552            |
| Restricted for:                           |                   |
| Public school support . . . . .           | 106               |
| Locally funded programs. . . . .          | 1,250             |
| Other purposes . . . . .                  | 8,158             |
| Unrestricted. . . . .                     | <u>84,215</u>     |
| Total net position. . . . .               | <u>\$ 118,281</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, 2016

|   |                   |
|---|-------------------|
| <b>Operating revenues:</b>                            |                   |
| State foundation . . . . .                            | \$ 583,656        |
| State foundation - special education . . . . .        | 304,760           |
| Tuition and fees. . . . .                             | 2,550             |
| Sales . . . . .                                       | 2,482             |
| Other . . . . .                                       | 246               |
| Total operating revenues . . . . .                    | 893,694           |
| <br><b>Operating expenses:</b>                        |                   |
| Fringe benefits. . . . .                              | 3,201             |
| Purchased services. . . . .                           | 957,219           |
| Materials and supplies . . . . .                      | 20,767            |
| Other. . . . .  | 46,640            |
| Depreciation . . . . .                                | 40,151            |
| Total operating expenses. . . . .                     | 1,067,978         |
| <br>Operating loss . . . . .                          | <br>(174,284)     |
| <br><b>Non-operating revenues:</b>                    |                   |
| Federal and state grants. . . . .                     | 79,994            |
| Total nonoperating revenues . . . . .                 | 79,994            |
| <br>Change in net position . . . . .                  | <br>(94,290)      |
| <br><b>Net position at beginning of year. . . . .</b> | <br>212,571       |
| <b>Net position at end of year . . . . .</b>          | <b>\$ 118,281</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   |                   |
|---|-------------------|
| <b>Cash flows from operating activities:</b>                                      |                   |
| Cash received from State foundation . . . . .                                     | \$ 901,418        |
| Cash received from tuition and fees . . . . .                                     | 2,550             |
| Cash received from sales . . . . .  | 2,482             |
| Cash received from other operations . . . . .                                     | 246               |
| Cash payments for fringe benefits . . . . .                                       | (3,200)           |
| Cash payments for contractual services . . . . .                                  | (956,846)         |
| Cash payments for materials and supplies . . . . .                                | (21,301)          |
| Cash payments for other expenses . . . . .  | (46,601)          |
|   | (121,252)         |
| <b>Cash flows from noncapital financing activities:</b>                           |                   |
| Cash received from federal and state grants . . . . .                             | 80,525            |
|   | 80,525            |
| Net cash provided by noncapital financing activities.                             | 80,525            |
| Net decrease in cash and cash equivalents . . . . .                               | (40,727)          |
| <b>Cash and cash equivalents at beginning of year . . .</b>                       | <b>148,638</b>    |
| <b>Cash and cash equivalents at end of year . . . . .</b>                         | <b>\$ 107,911</b> |
|   | <b>107,911</b>    |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                   |
| Operating loss . . . . .  | \$ (174,284)      |
| Adjustments:  |                   |
| Depreciation . . . . .  | 40,151            |
| Changes in assets and liabilities:  |                   |
| Materials and supplies inventory . . . . .  | (456)             |
| Intergovernmental receivable. . . . .   | 713               |
| Accounts payable. . . . .   | 280               |
| Intergovernmental payable. . . . .  | 12,344            |
|   | 12,344            |
| Net cash used in operating activities . . . . .                                   | \$ (121,252)      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 2016 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.

**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.

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**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. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

**E. 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.

**F. 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 2016, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**G. 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.



**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**H. 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. During fiscal year 2016, the Academy increased its capitalization threshold from \$500 to \$1,000. 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.

**I. 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, locally 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.

**J. 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.

**K. 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 2016 was \$888,416. 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, State and local grant revenue for the fiscal year 2016 was \$79,994.

**NORTH CENTRAL ACADEMY  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**L. 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.

**M. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2016. These expenses are reported as accrued liabilities in the accompanying financial statements.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2016, the Academy has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2016, the carrying amount of the Academy's deposits was \$107,911. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, the Academy's entire bank balance of \$111,372 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, 2016

**NOTE 5 - CAPITAL ASSETS**

The Academy had the following capital asset activity for the fiscal year ended June 30, 2016:

|                                    | Balance<br><u>06/30/15</u> | <u>Additions</u>   | <u>Deductions</u> | Balance<br><u>06/30/16</u> |
|------------------------------------|----------------------------|--------------------|-------------------|----------------------------|
| Capital assets, being depreciated: |                            |                    |                   |                            |
| Building improvements              | \$ 4,373                   | \$ -               | \$ -              | \$ 4,373                   |
| Furniture, fixtures and equipment  | <u>350,080</u>             | <u>-</u>           | <u>-</u>          | <u>350,080</u>             |
| Total capital assets               | <u>354,453</u>             | <u>-</u>           | <u>-</u>          | <u>354,453</u>             |
| Accumulated depreciation:          |                            |                    |                   |                            |
| Building improvements              | (4,373)                    | -                  | -                 | (4,373)                    |
| Furniture, fixtures and equipment  | <u>(285,377)</u>           | <u>(40,151)</u>    | <u>-</u>          | <u>(325,528)</u>           |
| Total accumulated depreciation     | <u>(289,750)</u>           | <u>(40,151)</u>    | <u>-</u>          | <u>(329,901)</u>           |
| Capital assets, net                | <u>\$ 64,703</u>           | <u>\$ (40,151)</u> | <u>\$ -</u>       | <u>\$ 24,552</u>           |

**NOTE 6 - RECEIVABLES**

Intergovernmental receivables at June 30, 2016 consisted of \$71 related to State Foundation Funding. This receivable is expected to be collected in the subsequent year.

**NOTE 7 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2016, purchased services expenses were as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 872,485        |
| Property services                   | 51,233            |
| Travel and meetings                 | 7,842             |
| Communications                      | 10,785            |
| Pupil transportation                | <u>14,874</u>     |
| Total                               | <u>\$ 957,219</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 2016, 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, 2016**

**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 2016 reviews, the Academy owed ODE \$12,289 and has reported this amount as an intergovernmental payable on the statement of net position. As a result of the fiscal year 2015 reviews, ODE owes the Academy \$71 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, 2016 foundation funding for the Academy; therefore, the final financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy. The final adjustment to state funding is expected to be immaterial.

**NOTE 10 - SERVICE AND LEASE AGREEMENT**

The Academy contracted with the Sponsor to provide oversight of its operations for an initial term of one year, commencing on July 1, 2015 and ending on June 30, 2016. 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 also entered into a lease agreement with the Sponsor to rent 928 West Market Street, Suite B, Tiffin, Ohio, from the Sponsor. The terms of the lease are for five years commencing on July 1, 2015 and ending on June 30, 2020. The Academy is to pay \$25,000 per year payable in monthly installments of \$2,083.33

The Academy paid \$271,840 to the Sponsor for educational, fiscal and administrative services as well as rent for the fiscal year ended June 30, 2016.

**NOTE 11 - SUBSEQUENT EVENT**

Lynette Cameron became Treasurer of the Academy on July 1, 2016.



**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

To the Board of the 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, (the Academy) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 22, 2017,

***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 opinion 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*.

***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.

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
December 22, 2017



# 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  
MARCH 22, 2018**