



**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Star Academy of Toledo  
Lucas County  
1850 Airport Highway  
Toledo, OH 43609

To the Board of Directors:

We have audited the basic financial statements of Star Academy of Toledo, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Star Academy of Toledo, Lucas County, Ohio, as of June 30, 2011, and the changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

May 1, 2012

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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

The discussion and analysis of the Star Academy of Toledo (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Academy's financial performance. The first year of the Academy's operations was 2007.

**Financial Highlights**

- Net assets decreased \$29,539.
- Operating expenses for fiscal 2011 were \$2,046,844 as compared to \$1,764,814 in fiscal 2010.
- Operating revenues accounted for \$1,272,752 of the Academy's total funding of \$2,017,908.
- The Academy had an operating loss of \$774,092. A substantial portion of the operating loss was alleviated by non-operating federal grants totaling \$745,156.

**Overview of the Financial Statements**

The financial report consists of three parts – management's discussion and analysis, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

**Financial Analysis of the Academy as a Whole**

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from governmental-wide financial statements is included in the discussion and analysis.

The following tables represent a summary the Academy's condensed financial information for 2011 derived from the statement of net assets and the statement of revenues, expenses and changes in net assets.

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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

Table 1 provides a summary of the Academy's nets assets for 2011 as compared to 2010:

Table 1  
Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Assets:</b>			
Current Assets	\$ 313,121	\$ 201,320	\$ 111,801
Capital Assets	90,255	106,141	(15,886)
Total Assets	<u>403,376</u>	<u>307,461</u>	<u>95,915</u>
<b>Liabilities:</b>			
Current Liabilities	128,093	2,639	(125,454)
<b>Net Assets:</b>			
Invested in Capital Assets	90,255	106,141	(15,886)
Restricted for Other Purposes	9,750	-	9,750
Unrestricted	175,278	198,681	(23,403)
Total Net Assets	<u>\$ 275,283</u>	<u>\$ 304,822</u>	<u>\$ (29,539)</u>

Results of fiscal year 2011 indicate an ending net asset balance of \$275,283, a decrease of \$29,539 from fiscal year 2010. The decrease is the result of a restructuring the Academy's leadership and an investment in the upgrade of curriculum and other educational resources. Fiscal year 2011 funded enrollment was 180 students as compared to 198 for fiscal year 2010.



**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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

Table 2 reflects the changes in net assets for the fiscal year 2011 as compared to 2010:

Table 2  
Change in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Operating Revenues:</b>			
Community School Foundation	\$ 1,268,282	\$ 1,439,028	\$ (170,746)
Miscellaneous	4,470	2,293	2,177
Federal and State Restricted Grants	745,156	456,010	289,146
<b>Total Revenues</b>	<u>2,017,908</u>	<u>1,897,331</u>	<u>120,577</u>
<b>Operating Expenses:</b>			
Salaries	57,875	702,412	(644,537)
Fringe Benefits	17,758	200,482	(182,724)
Building	120,030	120,430	(400)
Purchased Services	1,663,589	565,941	1,097,648
Depreciation	42,971	39,311	3,660
General Supplies	132,324	120,010	12,314
Other Operating Expenses	12,297	16,228	(3,931)
Interest Expense	603	24	579
<b>Total Expenses</b>	<u>2,047,447</u>	<u>1,764,838</u>	<u>282,609</u>
<b>Change in Net Assets</b>	(29,539)	132,493	(162,032)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>304,822</u>	<u>172,329</u>	<u>132,493</u>
<b>Net Assets (Deficit) End of Year</b>	<u>\$ 275,283</u>	<u>\$ 304,822</u>	<u>\$ (29,539)</u>

Changes in net assets are primarily attributable to the decrease in enrollment and higher instructional expenses offset by increases in Federal and State Restricted Grants. In fiscal year 2011, the Academy made an investment in the upgrade of various educational resources. Furthermore, additional legal costs were incurred related to the contract termination with the Academy's former Management Company.

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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

**Budget**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, Educational Service Center of Central Ohio, does not prescribe a budgetary process for the Academy.

**Capital Assets**

Capital Assets

At the end of fiscal year 2011, the Academy had \$90,255 invested in capital assets (net of accumulated depreciation) for computers, furniture, a bus and other equipment, a decrease of \$15,886. The following table shows fiscal year 2011 compared to 2010:

<b>Capital Assets at June 30 (Net of Depreciation)</b>				
	2011	2010	Change	
Leasehold Improvements	\$ 3,981	\$ 1,847	\$ 2,134	
Computer Technology	58,690	70,000	(11,310)	
Furniture, Equipment, Other	26,234	32,344	(6,110)	
Transportation Vehicles	1,350	1,950	(600)	
<b>Net Capital Assets</b>	<b>\$ 90,255</b>	<b>\$ 106,141</b>	<b>\$ (15,886)</b>	

The decrease primarily represents the depreciation expense for the year on the computer and other equipment net of a capital asset acquisition. There were no asset disposals during the year. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

**Economic Factors**

Management is not currently aware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on the financial position or results of operations.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the academy's finances and to show the Academy's accountability for the money it receives. If you have any questions concerning this report, please contact the Treasurer for Star Academy of Toledo, 1850 Airport Highway, Toledo, Ohio 43609.

STAR ACADEMY OF TOLEDO  
LUCAS COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2011

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$ 284,666
Intergovernmental Receivable	26,320
Prepaid Expense	<u>2,135</u>
<b>Total current assets</b>	<b>313,121</b>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation	90,255
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<b>Total assets</b>	<b><u>\$ 403,376</u></b>
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**Liabilities:**

***Current liabilities:***

Accounts Payable, Trade	\$ 29,742
Accounts Payable, Related Party	<u>98,351</u>
<b>Total current liabilities</b>	<b><u>128,093</u></b>

**Net Assets**

Invested in Capital Assets	90,255
Restricted Net Assets	9,750
Unrestricted Net Assets	<u>175,278</u>
<b>Total Net Assets</b>	<b><u>\$ 275,283</u></b>

**See Accompanying Notes to the Basic Financial Statements**

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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

<b>Operating Revenues:</b>	
Community School Foundation	\$ 1,268,282
Miscellaneous	4,470
<b>Total Operating Revenues</b>	<u>1,272,752</u>
<b>Operating Expenses:</b>	
Salaries	57,875
Fringe Benefits	17,758
Building	120,030
Purchased Services	1,663,589
Depreciation	42,971
General Supplies	132,324
Other Operating Expenses	12,297
<b>Total Operating Expenses</b>	<u>2,046,844</u>
<b>Operating Loss</b>	<u>(774,092)</u>
<b>Nonoperating Revenues and Expenses:</b>	
Federal and State Restricted Grants	745,156
Interest Expense	(603)
<b>Net Nonoperating Revenues and Expenses</b>	<u>744,553</u>
<b>Change in Net Assets</b>	(29,539)
<b>Net Assets Beginning of Year</b>	<u>304,822</u>
<b>Net Assets End of Year</b>	<u>\$ 275,283</u>

**See Accompanying Notes to the Basic Financial Statements**

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Foundation Receipts	\$ 1,326,605
Other Operating Receipts	4,470
Cash Payments to Employees for Services	(75,633)
Cash Payments to Suppliers for Goods and Services	(1,804,921)
	<u>(549,479)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Assets	<u>(27,085)</u>
Net Cash Used for Investment Activities	<u>(27,085)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Short-term Financing Payments	(603)
Federal and State Grant Receipts	<u>729,124</u>
Net Cash Provided by Noncapital Financing Activities	<u>728,521</u>
Net Increase in Cash and Cash Equivalents	151,957
Cash and Cash Equivalents - Beginning of the Year	<u>132,709</u>
Cash and Cash Equivalents - Ending of the Year	<u>\$ 284,666</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	<u>\$ (774,092)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</b>	
Depreciation	42,971
Changes in assets and liabilities:	
Decrease in Accounts Receivable	58,323
Increase in Prepaid Expenses	(2,135)
Increase in Accounts Payable, Trade	27,103
Increase in Accounts Payable, Related Party	98,351
<b>Net Cash Used for Operating Activities</b>	<u>\$ (549,479)</u>

**See Accompanying Notes to the Basic Financial Statements**

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**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

**Note 1 – Description of the School**

The Star Academy of Toledo (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Service Center of Central Ohio (the Sponsor) for a period of three academic years commencing after July 1, 2008 and ending June 30, 2011 and then further extended through June 30, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Governing Board that consists of seven individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operate or manage the Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

For the 2010-11 academic year, the Academy contracted with Mosaica Education, Inc., for management services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 14.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**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 financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the Educational Service Center of Central Ohio, does not prescribe a budgetary process for the Academy.

**E. Cash and Cash Equivalents**

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2011.

**F. Prepaid Items**

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

**G. Capital Assets**

The Academy's capital assets during fiscal year 2011 consisted of computers, other equipment, and transportation vehicles as well as leasehold improvements to make the lower level of the facility useable. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.



**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

All capital asset leases are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Furniture and Equipment	5 years
Computer Technology	5 years
Transportation Vehicles	5 years
Leasehold Improvements	Remaining life of lease

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their 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 Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, there was \$9,750 of net assets deemed restricted.

In addition, the statement of net assets reports \$90,255 as invested in capital assets..

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**J. Estimates**

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

**K. Economic Dependency**

The Academy receives approximately 99% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**Note 3 – Changes in Accounting Principles**

There were no changes in accounting principles implemented during 2011 that would have a material effect on the financial statements.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

**Note 4 - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balance of Academy's deposits was \$334,586, \$250,000 was covered by federal depository insurance and the remaining \$84,586 was exposed to custodial credit risk. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**Note 5 – Receivables**

At June 30, 2011, the Academy had intergovernmental receivables, in the amount of \$26,320. The receivables are expected to be collected within one year.

Grant	Amount
National School Lunch Program	\$13,483
Title I	5,572
Foundation Funding Adjustment	4,689
Improving Teacher Quality Grant	1,666
Miscellaneous	910
Total Intergovernmental Receivables	\$26,320

**Note 6 – Capital Assets**

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

	Balance June 30, 2010	Additions (Deletions)	Depreciation Expense	Balance June 30, 2011
Depreciable Capital Assets				
Furniture & Equipment	\$50,418	3,974	0	\$54,392
Leasehold Improvements	3,267	5,432	0	8,699
Computer Technology	139,928	17,679	0	157,607
Transportation Vehicles	3,000	0	0	3,000
Less Accumulated Depreciation				
Furniture & Equipment	(18,074)	0	(10,084)	(28,158)
Leasehold Improvements	(1,420)	0	(3,298)	(4,718)
Computer Technology	(69,928)	0	(28,989)	(98,917)
Transportation Equipment	(1,050)	0	(600)	(1,650)
Capital Assets, Net	\$106,141	\$27,085	(\$42,971)	\$90,255

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**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 employees, and natural disasters. During fiscal year 2011, the Academy contracted with the Selective Insurance Company. The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Medical Expense Limit - Any One Person/Occurrence	5,000
Damage to Rented Premises - Each Occurrence	100,000
Personal and Advertising Injury	1,000,000
Business Personal Property	215,000
Automobile Liability:	
Combined Single Limit	1,000,000
Excess/Umbrella	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage during the year.

**Note 8 – Purchased Services**

For the year ended June 30, 2011, purchased service expenses were for the following services:

Purchased Services	Amount
Personnel Services	\$1,034,110
Staff and Administrative Services	257,153
Building Services	119,079
Food Services	83,657
Professional Services	72,943
Sponsor Services	39,350
Student Services	32,272
Advertising	25,025
Total	<u><u>\$1,663,589</u></u>

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**Note 9 - Defined Benefit Pension Plans**

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of –Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

**A. School Employee Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$10,995, \$16,272 and \$15,779, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

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

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

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**Note 9 - Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System (Continued)**

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$94,618, \$74,762 and \$83,538, respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, none of the members of the Board of Directors has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 10 - Postemployment Benefits**

**A. School Employee Retirement System**

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**Note 10 - Postemployment Benefits (Continued)**

**A. School Employee Retirement System (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,331, \$586 and \$6,405, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$708, \$968 and \$845, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$7,278, \$5,751 and \$6,426, respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Note 11 - Contingencies**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 adverse effect on the overall financial position of the Academy at June 30, 2011.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**Note 11 – Contingencies (Continued)**

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of this review indicated that the Academy is due \$4,689 from the Ohio Department of Education. This balance due is reported as part of Intergovernmental Receivables (see Note 5).

**C. Litigation**

The Academy is involved in certain litigation proceedings, the outcome of which is uncertain. It is expected that any material exposure the Academy may have with regards to these proceedings will be covered by the Academy's liability insurance.

**Note 12 – Building Leases**

The Academy entered into an operating lease agreement with the Roman Catholic Diocese of Toledo in America commencing August 1, 2008 and running through July 31, 2011. Subsequent to June 30, 2011, the lease was further extended for five additional periods of one year each terminating July 31, 2016. Base rent remains unchanged at \$10,000 per month. Rent expense for both fiscal years ended 2011 and 2010 was \$120,000.

The following is a schedule of the future minimum payments required under the executed lease agreement:

Fiscal Year Ending	Amount
June 30	
2012	120,000
2013	120,000
2014	120,000
2015	120,000
2016	120,000
Total minimum lease payments	<u>\$ 600,000</u>

**Note 13 – Tax Exempt Status.**

The Academy has filed for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

**YOUNGSTOWN ACADEMY OF EXCELLENCE  
LUCAS COUNTY**

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

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**Note 14 – Related Party Transactions/Management Company**

The Academy contracts with Mosaica Education, Inc. for a variety of services including management of personnel and human resources, board relations, financial management, marketing, technology services, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statement and budget preparation and accounts payable and payroll preparation.

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is 12.5 percent of the Academy's revenues. The management fee for fiscal year 2011 was \$251,670.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries, of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid to Mosaica Education Inc. during fiscal year 2011 were \$506,486.

At June 30, 2011, the Academy had payables to Mosaica Education, Inc. in the amount of \$98,351. The following is a schedule of payables owed to Mosaica Education, Inc.

	<u>Amount</u>
Payroll	\$ 87,741
Management Fees	9,450
Other	<u>1,160</u>
Total at June 30, 2011	<u>\$ 98,351</u>

**Note 15 – Sponsor**

The Academy was approved for operation under a contract with the Educational Service Center of Central Ohio (the Sponsor) for a period of three academic years commencing July 1, 2008 and further extended through June 30, 2012. As part of this contract, the Sponsor is entitled to a maximum of 3% of the total Foundation state funds. Total amount due and paid for fiscal year 2011 was \$39,350.



**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Revenues	Expenses
<b><u>United States Department of Agriculture</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	\$ 22,039	\$ 22,039
National School Lunch Program	10.555	66,771	66,771
Total Nutrition Cluster		<u>88,810</u>	<u>88,810</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>88,810</u></b>	<b><u>88,810</u></b>
<b><u>United States Department of Education</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	289,012	289,012
ARRA - Title I Grants to Local Educational Agencies	84.389	110,612	103,582
Total Title I Cluster		<u>399,624</u>	<u>392,594</u>
Special Education Cluster			
Special Education Grants to States	84.027	36,659	36,659
ARRA - Special Education Grants to States	84.391	54,057	50,631
Total Special Education Cluster		<u>90,716</u>	<u>87,290</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	839	839
Education Technology State Grants	84.318	1,173	1,173
Improving Teacher Quality State Grants	84.367	4,678	4,678
ARRA - State Fiscal Stabilization Fund	84.394	107,559	107,559
ARRA- Race to the Top Grant	84.395	709	709
Education for Jobs Grant	84.410	43,729	43,729
<b>Total United States Department of Education</b>		<b><u>649,027</u></b>	<b><u>638,571</u></b>
<b>Total Federal Awards</b>		<b><u>\$ 737,837</u></b>	<b><u>\$ 727,381</u></b>

*The accompanying notes are an integral part of this schedule.*

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Academy's Federal Award programs. The Schedule has been prepared on the full accrual basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

Star Academy of Toledo  
Lucas County  
1850 Airport Highway  
Toledo, OH 43609

To the Board of Directors:

We have audited the basic financial statements of Star Academy of Toledo, Lucas County, Ohio, (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated May 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

Star Academy of Toledo  
Lucas County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 1, 2012.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, Ohio Council of Community Schools, Federal awarding agencies and pass-through entities and others within the Academy. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 1, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Star Academy of Toledo  
Lucas County  
1850 Airport Highway  
Toledo, OH 43609

To the Board of Directors:

### Compliance

We have audited the compliance of Star Academy of Toledo, Lucas County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Star Academy's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, Star Academy of Toledo complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-02.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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

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

The Academy's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 1, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, Educational Service Center of Ohio, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

May 1, 2012

STAR ACADEMY OF TOLEDO  
LUCAS COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 and #84.389 - Title I Grants to Local Educational Agencies Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: All Others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2011-01**

**Noncompliance/Material Weakness**

**Ohio Revised Code § 3314.08** requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend. Based on these reported numbers, the state Department of Education shall calculate and subtract the appropriate amount of state aid from each school district.

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-01(Continued)**

**Noncompliance/Material Weakness (Continued)**

The amount subtracted shall be paid to the corresponding community school or to the internet or computer-based community school entitled to receive those funds. When calculating and subtracting the appropriate amount of state aid, the department should take into consideration any enrollment of students in community schools for less than the equivalent of a full school year.

**Ohio Revised Code § 3314.08(L)(2)** further states that a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced in participation in learning opportunities as defined in the contract with the sponsor or thirty days prior to the date on which the student is entered into the education management information system. A student's enrollment shall be considered to cease on the date on which the community school receives documentation from a parent terminating enrollment of the student, is provided documentation of a student's enrollment in another public or private school, or the community school ceases to offer learning opportunities to the student pursuant to the terms of the contact with the sponsor or the operation of any provision in this chapter.

The Academy did not maintain adequate attendance and withdrawal records for students tested as listed below:

- For three students tested the Academy did not maintain documentation of the student's withdrawal from that correlated to the withdrawal date reported on the School Options Enrollment System (SOES). For two of these students the withdrawal date on SOES was before the withdrawal date stated on the withdrawal form.
- For two students tested the student identification number in file with the Academy did not agree to the student identification number reported on SOES.
- For four students tested the withdraw form did not include all requested information.
- One student tested did not have an adequate attendance record maintained in the student's file.
- The Academy failed to provide a school calendar for fiscal year 2011 to confirm the number of days the Academy provided instruction to students.

Inaccurate enrollment and attendance records can lead to an inaccurate basis for the Academy's foundation funding. The Ohio Department of Education's final review of fiscal year 2011 enrollment data and full time equivalency reflected that the Academy was owed \$4,689 as of June 30, 2011.

The Academy should maintain and keep accurate attendance records for all students throughout the year that correlate to the information reported on SOES. The Academy should ensure that students that have been absent due to truancy for 105 consecutive hours or greater are withdrawn immediately and reported as withdrawn on SOES.

**Official's Response:**

Management has transitioned staff at the school that were involved in the SOES data entry and has provided training to current administrative support staff performing this function.



**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Timely Filing of A-133 Reporting Package**

<b>Finding Number</b>	2011-02
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies Cluster, CFDA #84.010 and #84.389
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance (Continued)**

**Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .200(b)** provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as “auditees”. Section .300(a) states, an auditee shall “Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.”

Section .300(e) further states, an auditee shall “Ensure that the audits required by this part are properly performed and submitted when due.” Section .320(a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Academy expended in excess of \$500,000 in federal awards during the fiscal year ended June 30, 2011. However, the Academy did not ensure that a single audit was conducted within the time period specified by OMB Circular A-133 Section .320 (a).

We recommend the Academy complete and prepare items for audit in a timely manner in order to meet filing deadlines.

**Official’s Response:**

The Board and management were disappointed by the inability to release the audit prior to the reporting deadline. While there were instances throughout the audit process where additional time was needed to obtain cancelled check copies from the bank and some delays occurred in gathering single audit documentation that pushed some of the single audit testing into early March of 2012, management was surprised by a significant request for additional single audit testing documentation that was received on April 11, 2012, well past the required submission date, after AOS had confirmed receipt requested single audit testing items as of March 7, 2012 and between which time no further requests for single audit related field work were made. Management and the Auditor of State are in the process of transitioning the Academy’s audit from the Ohio Auditor of State to an IPA Firm with concrete timeline expectations that target final report distribution by 6 months after year end. Management believes this transition will resolve this issue going forward.

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Timely Filing of A-133 Reporting Package (Continued)**

<b>Finding Number</b>	2011-02
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies Cluster, CFDA #84.010 and #84.389
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance**

**Auditor of State Conclusion:**

On October 28, 2011 an initial request for information related to the Academy's Title I program was made and the AOS staff continued to follow up on this request through March of 2012. Information provided by the Academy in March of 2012 was not complete and follow up inquiries were made. On April 30, 2012 the Academy provided all the requested information.

The AOS staff requested all information needed to complete the Academy's audit in a timely manner. If the information had been completely provided at the time requested the Academy's audit would have been released by the deadline required by OMB Circular A-133 Section .320 (a).

**STAR ACADEMY OF TOLEDO  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	<b>OMB Circular A-133 §.200 &amp; OMB Circular A-133 §.320:</b> The Academy did not meet the nine month deadline for a single audit.	No	Reissued as Finding 2011-02

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Star Academy of Toledo  
Lucas County  
1850 Airport Highway  
Toledo, Ohio 43609

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Star Academy of Toledo, Lucas County, Ohio (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Academy amended its anti-harassment policy at its meeting on January 27, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

May 1, 2012

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# Dave Yost • Auditor of State

STAR ACADEMY OF TOLEDO

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 22, 2012