



**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Englewood Peace Academy
Lucas County
1120 Horace Street
Toledo, Ohio 43606-4737

To the Governing Board:

We have audited the accompanying basic financial statements of the Englewood Peace Academy, Lucas County (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Englewood Peace Academy, Lucas County, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, 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.

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

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

Mary Taylor, CPA
Auditor of State

January 30, 2009

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The management's discussion and analysis of Englewood Peace Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets were \$564,095 at June 30 2008.
- The Academy had operating revenues of \$1,619,094 and operating expenses of \$1,983,622 for fiscal year 2008. The Academy also received \$367,841 in federal and state grants during fiscal year 2008. The total change in net assets for the fiscal year was an increase of \$34,003.

Using these Basic Financial Statements

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

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy 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 is meeting the cash flow needs of its operations.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The table below provides a summary of the Academy's net assets for fiscal years 2008 and 2007.

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current assets	\$ 668,737	\$ 611,982
Capital assets, net	<u>86,991</u>	<u>87,122</u>
 Total assets	 <u>755,728</u>	 <u>699,104</u>
<u>Liabilities</u>		
Current liabilities	179,843	150,299
Non-current liabilities	<u>11,790</u>	<u>18,713</u>
 Total liabilities	 <u>191,633</u>	 <u>169,012</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	75,201	68,409
Restricted	36,946	50,649
Unrestricted	<u>451,948</u>	<u>411,034</u>
 Total net assets	 <u>\$ 564,095</u>	 <u>\$ 530,092</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's net assets totaled \$564,095. Current assets increased and current liabilities, including accrued wages and accounts payable, increased during fiscal year 2008.

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation basic aid payments attributed to 64.62% of total operating and non-operating revenues during fiscal year 2008. The increase in funding corresponds to the increase in enrollment.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The table below shows the changes in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
Foundation basic aid	\$ 1,304,863	\$ 1,169,310
Poverty-based assistance	237,122	195,427
Special education	42,662	25,503
Charges for services - food service	15,855	14,319
Classroom fees	2,290	1,469
Rental income	4,700	
Other operating revenue	<u>11,602</u>	<u>20,717</u>
Total operating revenue	<u>1,619,094</u>	<u>1,426,745</u>
<u>Operating Expenses:</u>		
Salaries and wages	981,167	936,351
Fringe benefits	307,145	313,340
Purchased services	444,843	391,870
Materials and supplies	107,461	149,856
Cost of sales	58,149	60,014
Depreciation	40,387	33,689
Other	<u>44,470</u>	<u>22,525</u>
Total operating expenses	<u>1,983,622</u>	<u>1,907,645</u>
<u>Non-operating revenues and (expenses):</u>		
Federal and State grants	367,841	275,657
Federal donated commodities	14,875	17,350
Interest income	17,267	25,213
Contributions and donations	205	1,046
Interest and fiscal charges	<u>(1,657)</u>	<u>(1,208)</u>
Total non-operating revenues and (expenses)	<u>398,531</u>	<u>318,058</u>
Change in net assets	34,003	(162,842)
Net assets at beginning of year	<u>530,092</u>	<u>692,934</u>
Net assets at end of year	<u>\$ 564,095</u>	<u>\$ 530,092</u>

Capital Assets

At June 30, 2008, the Academy had \$54,823 invested in furniture, fixtures and equipment, net of accumulated depreciation and \$32,168 invested in computers, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2008, the Academy had \$11,790 in capital lease obligations outstanding. Of this amount, \$7,660 is due within one year and \$4,130 is due in more than one year. See Note 11 in the notes to the basic financial statements for more detail on capital lease obligations outstanding.

Current Financial Related Activities

The Academy's financial relationship with the Lucas County Educational Service Center as the Academy's fiscal agent greatly improves the internal control structure and quality of its financial records. During the 2007-2008 school year there were approximately 221 students enrolled in the Academy.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients 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 questions about this report or need additional financial information contact: Mr. Mark Sholl of Englewood Peace Academy, 1120 Horace Street, Toledo, Ohio 43606 or email at epa_ms@nwoca.org.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:

Current assets:

Cash and cash equivalents	\$	562,807
Receivables:		
Accounts		2,356
Intergovernmental.		82,331
Prepayments		20,813
Inventory held for resale		430
		668,737
Total current assets.		668,737

Non-current assets:

Capital assets, net.		86,991
		86,991
Total assets		755,728

Liabilities:

Current liabilities:

Accounts payable		43,262
Accrued wages and benefits.		113,238
Intergovernmental payable		12,001
Pension obligation payable		11,342
		179,843
Total current liabilities		179,843

Long-term liabilities:

Due within one year.		7,660
Due in more than one year		4,130
		11,790
Total long-term liabilities		11,790
Total liabilities		191,633

Net Assets:

Invested in capital assets, net of related debt . .		75,201
Restricted for:		
State funded programs		3,900
Federally funded programs.		33,046
Unrestricted		451,948
		451,948
Total net assets.	\$	564,095

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating revenues:

Foundation basic aid	\$	1,304,863
Poverty-based assistance		237,122
Special education		42,662
Charges for services - food service		15,855
Classroom fees		2,290
Rental income		4,700
Other.		11,602
Total operating revenue		<u>1,619,094</u>

Operating expenses:

Salaries and wages		981,167
Fringe benefits.		307,145
Purchased services.		444,843
Materials and supplies		107,461
Cost of sales		58,149
Depreciation		40,387
Other.		44,470
Total operating expenses.		<u>1,983,622</u>

Operating loss		<u>(364,528)</u>
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Non-operating revenues (expenses):

Federal and state operating grants		367,841
Federal donated commodities		14,875
Interest income		17,267
Contributions and donations		205
Interest and fiscal charges		(1,657)
Total non-operating revenues (expenses)		<u>398,531</u>

Change in net assets		34,003
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Net assets at beginning of year		<u>530,092</u>
Net assets at end of year.	\$	<u><u>564,095</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Cash flows from operating activities:	
Cash received from state foundation	\$ 1,588,798
Cash received from charges for services - food service.	15,109
Cash received from classroom fees.	2,290
Cash received from rentals	4,500
Cash received from other operating sources	11,333
Cash payments for salaries and wages	(974,410)
Cash payments for fringe benefits	(313,266)
Cash payments to suppliers for goods and services.	(429,080)
Cash payments for materials and supplies	(145,835)
Cash payments for other expenses	(34,176)
Net cash used in operating activities	<u>(274,737)</u>
Cash flows from noncapital financing activities:	
Federal and state operating grants	339,966
Cash received from contributions and donations	205
Net cash provided by noncapital financing activities	<u>340,171</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(39,158)
Principal payments	(6,923)
Interest payments	(1,657)
Net cash used in capital and related financing activities.	<u>(47,738)</u>
Cash flows from investing activities:	
Interest received	<u>17,267</u>
Net increase in cash and cash equivalents	34,963
Cash and cash equivalents at beginning of period.	<u>527,844</u>
Cash and cash equivalents at end of period	<u><u>\$ 562,807</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (364,528)
Adjustments:	
Depreciation.	40,387
Federal donated commodities	14,875
Changes in assets and liabilities:	
(Increase) in accounts receivable	(2,356)
Decrease in intergovernmental receivable	4,151
Decrease in prepayments	4,118
Decrease in inventory held for resale	170
Increase in accounts payable	16,974
Increase in accrued wages and benefits	16,142
Decrease in intergovernmental payable	(16,012)
Increase in pension obligation payable	11,342
Net cash used in operating activities.	<u><u>\$ (274,737)</u></u>

Non-Cash Transactions:

At June 30, 2008 the Academy purchased \$1,098 in capital assets on account. The Academy received donated commodities for food service operations in the amount of \$14,875 during fiscal year 2008.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Englewood Peace Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code exclusively for educational purposes. The Academy's objective is to provide quality education marked by strong values, high academic standards, and consistent discipline. Respect for self and others, honesty, friendliness, cultural pride, and collaboration describe the spirit of Englewood Peace Academy. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy is non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes and as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years, commencing July 2002. In July 2007 the sponsorship contract was renewed for an additional two years. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy (see Note 12).

The Academy operates under the direction of ten-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Board controls the Academy's instructional/support facility staffed by 24 non-certified and 22 certified full-time teaching personnel who provide services to 221 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

B. Measurement Focus

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

C. Basis of Accounting

Basis of accounting determines when transactions are recognized 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 non-exchange transactions, in which the 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 specific purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.39(A) of the Ohio Revised Code also requires the Academy to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

E. Cash and Cash Equivalents

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

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

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

During fiscal year 2008, investments were limited to repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2008.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the fiscal year. Donated assets are recorded at their fair market value as of the date received. The Academy maintains a threshold of \$500. The Academy does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements 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>Estimated Lives</u>
Furniture and equipment	5 years
Computers	3 years

G. Intergovernmental Revenues

The Academy currently participates in the Foundation Basic Aid Program, State Poverty-Based Assistance Program and State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which all eligibility requirements have been met.

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

Eligibility 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.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

H. Prepaid Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as assets on the statement of net assets, using the allocation method, which amortized their cost over the periods benefiting from the advance payment.

I. Inventory

Inventory is stated at the lower of cost or market, and cost is determined on a first-in/first-out (FIFO) basis. Inventory consists of donated and purchased food and is expensed when used.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation 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.

K. Estimates

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

L. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2008, the Academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 9) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Academy.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all Academy deposits was \$(3,124). The Academy's bank balance of \$42,561 was covered by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2008, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 311,434	\$ 311,434
Repurchase agreement	<u>254,497</u>	<u>254,497</u>
Total	<u>\$ 565,931</u>	<u>\$ 565,931</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Academy's name. The Academy has no investment policy dealing with investment custodial risk beyond the requirements of State statute.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Credit Risk: The Federal Home Loan Bank security underlying the repurchase agreement was rated AAA by Standard & Poor's and Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio a rating of AAAm. The Academy has no investment policy dealing with credit risk beyond the requirements of State statute.

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issue. The following table includes the percentage of each investment type held by the Academy at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 311,434	55.03
Repurchase agreement	<u>254,497</u>	<u>44.97</u>
Total	<u>\$ 565,931</u>	<u>100.00</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental Receivables:	<u>Amount</u>
EMIS	\$ 2,000
IDEA-B	13,976
Title I	62,118
Title V	615
Title IV	1,049
Title IIA	2,553
Title IID	<u>20</u>
Total intergovernmental receivables	<u>\$ 82,331</u>

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for fiscal year 2008 was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2008</u>
Capital assets:				
Furniture, fixtures & equipment	\$ 144,810	\$ 17,000	\$ -	\$ 161,810
Computers	<u>77,221</u>	<u>23,256</u>	<u>-</u>	<u>100,477</u>
Total capital assets	<u>222,031</u>	<u>40,256</u>	<u>-</u>	<u>262,287</u>
Less: accumulated depreciation:				
Furniture, fixtures & equipment	(77,783)	(29,204)		(106,987)
Computers	<u>(57,126)</u>	<u>(11,183)</u>	<u>-</u>	<u>(68,309)</u>
Total accumulated depreciation	<u>(134,909)</u>	<u>(40,387)</u>	<u>-</u>	<u>(175,296)</u>
Capital assets, net	<u>\$ 87,122</u>	<u>\$ (131)</u>	<u>\$ -</u>	<u>\$ 86,991</u>

NOTE 7 - RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2008, the Academy contracted with the Cincinnati Insurance Company, the Philadelphia Indemnity Company, and the Markel Insurance Company with the following insurance coverage:

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Damage to rented premises	500,000
Medical expense	5,000
Personal & advertising injury	1,000,000
Products-completed operations aggregate limit	2,000,000
EDP equipment	60,000
Blanket accident and health:	
Aggregate	250,000
Accident medical expense	10,000
Accidental death and dismemberment	5,000
Flexi plus five:	
Directors & officers liability	5,000,000
Employment practices	5,000,000
Aggregate	5,000,000

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 - RISK MANAGEMENT – (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage. The Academy owns no property, but leases a facility located at 1120 Horace Street, Toledo, Ohio (see Note 10 for detail).

B. Workers' Compensation

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

C. Employee Medical Benefits

The Academy has contracted through the Lucas County Educational Service Center with an independent contractor to provide medical, dental, and vision insurance to its full-time employees.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$31,719, \$37,648 and \$37,828, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - PENSION PLANS – (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy 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.

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. 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 fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$81,657, \$75,199, and \$81,144, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$59 made by the Academy and \$58 made by the plan members.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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.

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 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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 Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$19,717, \$17,659, and \$18,955, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$2,285, \$2,560, and \$3,011, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 or by calling (888) 227-7877.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS – (Continued)

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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,281, \$6,608, and \$6,190, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

NOTE 10 - OPERATING LEASES

The Academy renewed an operating lease agreement on July 1, 2006, with St. Martin de Porres Parish, which terminates on June 30, 2009, for the Academy's facility. This agreement is, in substance, a facility rental agreement, and the facility lease payments for fiscal year totaled \$133,200, with \$11,100 being fiscal year 2008 prepaid rent.

The scheduled operating lease payments due for fiscal year 2009 total \$133,200.

NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During fiscal year 2007, the Academy entered into a capital lease for computer equipment and accessories. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during the fiscal year ended 2008 totaled \$6,923.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2009	\$ 8,580
2010	<u>4,289</u>
Total minimum lease payment	12,869
Less: amount representing interest	<u>(1,079)</u>
Total	<u>\$ 11,790</u>

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - FISCAL AGENT

The Academy entered into a service agreement as part of its sponsorship contract with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. A total contract payment of \$revenue received by the Academy. Payments made to the Lucas County Educational Service Center during fiscal year 2008 include \$36,353 in fiscal fees, \$23,832 in sponsorship fees, and \$10,905 in contracted services. A liability in the amount of \$3,074 for June fiscal fees was accrued for fiscal year 2008.

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

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or the Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of the State of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Office of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

NOTE 13 - PURCHASED SERVICES

For fiscal year 2008, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 214,258
Property services	142,848
Travel	14,035
Communcations	6,417
Utilities	3,246
Contracts	56,909
Other purchased services	<u>7,130</u>
Total	<u>\$ 444,843</u>

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2008.

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. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in no significant adjustments to State funding for fiscal year 2009.

NOTE 15 - RELATED PARTY TRANSACTIONS

Academy Governing Board members; John Algee is the Administrator of St. Martin de Porres Parish and Lucretia Thomas serves on their pastoral council. St. Martin de Porres Parish is the lessor of the Academy's facility (see Note 10). The Academy's legal counsel is also a member of the Academy's Governing Board. No payments for legal fees were made to the Academy's legal counsel during the fiscal year.



Mary Taylor, CPA

Auditor of State

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

Englewood Peace Academy
Lucas County
1120 Horace Street
Toledo, Ohio 43606-4737

To the Governing Board:

We have audited the financial statements of Englewood Peace Academy, Lucas County, (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

We noted a certain matter that we reported to the Academy's management in a separate letter dated January 30, 2009.

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 30, 2009

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Material Weakness; Financial Reporting - Errors were identified in calculating and posting journal entries to the financial statements during the GAAP conversion process, resulting in six material audit adjustments	Yes	



Mary Taylor, CPA
Auditor of State

ENGLEWOOD PEACE ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 26, 2009