COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

COLUMBUS ARTS & TECHNOLOGY ACADEMY
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Columbus Arts and Technology Academy
Franklin County
2255 Kimberly Parkway East
Columbus, Ohio 43232

To the Board of Directors:

We have audited the accompanying basic financial statements of the Columbus Arts and Technology Academy, Franklin County (the Academy), as of and for the year ended June 30, 2009, 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 Columbus Arts and Technology Academy, Franklin County, Ohio, as of June 30, 2009, 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.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Academy's deficit net assets ($2,121,423) and operating loss ($1,894,853) raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2010, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2010

The discussion and analysis of the Columbus Arts & Technology Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy finished its fifth year of operation during fiscal year 2009 serving kindergarten through eighth grade. Enrollment varied during the year but averaged 488 students.

Key highlights for fiscal year 2009 are as follows:

- Net assets decreased $685,598 as compared to a decrease of $197,365 for the prior fiscal year.
- Academy had an operating loss of $1,894,853 compared to an operating loss of $925,500 in the prior fiscal year.
- Total assets decreased $23,161 primarily due to a decrease in capital assets resulting from the annual depreciation expense.
- Total liabilities increased $662,437 primarily due to an increase in trade and related party payables.

Overview of the Financial Statements

The financial report consists of three parts: the management 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 resource 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 present 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 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 the governmental-wide financial statements is included in the discussion and analysis.

Table 1 provides a summary of Academy's net assets for 2009 compared to 2008:

Table 1
Net Assets

	2009	2008	Change
Assets:			
Current Assets	$266,724	$235,429	$31,295
Capital Assets	119,977	174,433	(54,456)
Total Assets	386,701	409,862	(23,161)
Liabilities:			
Current Liabilities	2,486,571	1,814,198	672,373
Long-Term Liabilities	21,553	31,489	(9,936)
Total Liabilities	2,508,124	1,845,687	662,437
Net Assets:			
Invested in Capital Assets, Net of Related Debt	88,487	124,836	(36,349)
Restricted for Other Purposes	0	553	(553)
Unrestricted	(2,209,910)	(1,561,214)	(648,696)
Total Net Assets	($2,121,423)	($1,435,825)	($685,598)

Total net assets decreased $685,598. The cause of the decrease was the Board's recognition of the need to continue to offer programming that would accelerate learning of underperforming students faster than the traditional single grade level gains. The goal of the Board and management is to grow enrollment to be closer to the 750 student capacity of the facility at which point the school would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. For fiscal 2009, the Academy experienced a setback in enrollment that will delay the school's ability to move past a breakeven position and begin recovering the accumulated deficits. The Academy finished fiscal 2009 with 488 students. For the fall of fiscal year 2010, enrollment further declined to 369. The school's management and administration have been working to contain costs to minimize the impact of the enrollment decline. Based on continued analysis of enrollment data, the Board and its management are committed to following the plan to invest in the future of the children of this community, not based on a plan that is expected to generate short term economic profits, but rather on a plan that is economically sustainable over the long term and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary programs are being made available by delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses, and personnel services.

Table 2 reflects the changes in net assets for fiscal year 2009 as compared to 2008.

	2009	2008	Change
Operating Revenues:			
Foundation	$3,301,366	$4,169,193	($867,827)
Charges for Services and Miscellaneous	124,786	132,573	(7,787)
Non-Operating Revenues:			
Federal/State Restricted Grants	1,262,093	838,735	423,358
Total Revenues	$4,688,245	$5,140,501	($452,256)
Operating Expenses:			
Building	1,014,904	886,663	128,241
Purchased Services	3,974,441	3,935,674	38,767
Depreciation	54,456	47,323	7,133
General Supplies	235,894	311,129	(75,235)
Other Operating Expense	41,310	46,477	(5,167)
Non-Operating Expenses:			
Interest	52,838	110,600	(57,762)
Total Expenses	$5,373,843	$5,337,866	$35,977
Total Increase (Decrease) in Net Assets	($685,598)	($197,365)	($488,233)

Fiscal year 2009 showed a decrease in revenues primarily due to a decrease in the number of students from 642 in fiscal year 2008 to 488 in fiscal year 2009. Fiscal year 2009 expenses increased slightly primarily due to higher facility costs. See Note 12.

Budgeting

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, Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Academy had $119,977 invested in capital assets (net of accumulated depreciation) for leasehold improvements, computer and other equipment, a decrease of $54,456. The decrease is due to the depreciation costs for the year. The following table shows fiscal year 2009 compared to 2008:

Capital Assets at June 30 (Net of Depreciation)

	2009	2008	Change
Construction in Progress	$0	$33,377	($33,377)
Leasehold Improvements	54,627	28,348	26,279
Furniture & Equipment	65,350	112,708	(47,358)
	$119,977	$174,433	($54,456)

For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2009, the Academy had $31,490 in capital leases outstanding, of which $9,937 is due within one year. The following table summarizes the Academy's capital leases the year ended June 30, 2009:

	2009
Capital leases payable - June 30, 2008	$49,596
Less: capital lease principal paydown in fiscal 2009	(18,106)
Capital leases payable - June 30, 2009	$31,490

For further information regarding the Academy's debt, refer to Note 13 of the basic financial statements.
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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 operation.

Operations

Columbus Arts & Technology Academy is a public school 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.

Requests for Information

This financial report is designed to provide 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 question concerning this report, please contact Robert Lotz, Treasurer for Columbus Arts & Technology Academy, 3333 Chippewa Street, Columbus, Ohio 43204.

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COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Cash and Cash Equivalents	$ 54,559
Accounts Receivable	4,047
Intergovernmental Receivable	180,562
Prepaid Expense	27,556
Total current assets	266,724
Noncurrent assets:	
Depreciable Capital Assets, net of Accumulated Depreciation	119,977
Total assets	$ 386,701
Liabilities:	
Current liabilities:	
Accounts Payable, Trade	$ 337,446
Accounts Payable, Related Party	2,138,010
Accrued Interest	1,178
Current Portion of Long-term Debt	9,937
Total current liabilities	2,486,571
Noncurrent liabilities:	
Noncurrent Portion of Long-term Debt	21,553
Total liabilities	$ 2,508,124
Net Assets	
Invested in Capital Assets, Net of Related Debt	88,487
Unrestricted Net Assets	(2,209,910)
Total Net Assets	$ (2,121,423)

See Accompanying Notes to the Basic Financial Statements

COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Community School Foundation	$ 3,301,366
Charges for Services	120,284
Miscellaneous	4,502
Total Operating Revenues	3,426,152
Operating Expenses:	
Building	1,014,904
Purchased Services	3,974,441
Depreciation	54,456
General Supplies	235,894
Other Operating Expenses	41,310
Total Operating Expenses	5,321,005
Operating Loss	(1,894,853)
Nonoperating Revenues and Expenses:	
Federal and State Restricted Grants	1,262,093
Interest Expense	(52,838)
Net Nonoperating Revenues and Expenses	1,209,255
Change in Net Assets	(685,598)
Net Assets (Deficit) Beginning of Year	(1,435,825)
Net Assets (Deficit) End of Year	$ (2,121,423)

See Accompanying Notes to the Basic Financial Statements

COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 3,290,941
Charges for Services	116,476
Other Operating Receipts	4,502
Cash Payments to Suppliers for Goods and Services	(4,579,987)
Net Cash Used for Operating Activities	(1,168,068)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Short-term Financing Payments	(48,475)
Federal and State Grant Receipts	1,279,953
Net Cash Provided by Noncapital Financing Activities	1,231,478
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Lease Interest Payments	(3,570)
Capital Lease Principal Retirement	(18,106)
Net Cash Used for Capital and Related Financing Activities	(21,676)
Net Increase in Cash and Cash Equivalents	41,734
Cash and Cash Equivalents - Beginning of the Year	12,825
Cash and Cash Equivalents - Ending of the Year	$ 54,559
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (1,894,853)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	54,456
Changes in assets and liabilities:	
Increase in Receivables	(3,808)
Increase in Prepaid Expense	(3,613)
Increase in Accounts Payable, Trade	171,849
Increase in Accounts Payable, Related Party	518,326
Decrease in Deferred Revenue	(10,425)
Net Cash Used for Operating Activities	$ (1,168,068)

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the School

The Columbus Arts & Technology Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 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 originally approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008. Subsequently the contract was extended for an additional ten years through June 30, 2018. 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.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an 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 provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Academy's Governing Board also serves as the Board for Columbus Preparatory Academy.

The Academy contracts with Mosaica Education, Inc, for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts and equipment and facilities. See Note 16.

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.

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 Ohio Council of Community Schools, 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, 2009.

F. Prepaid Items

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2009, 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 2009 consisted of building leasehold improvements, computers and other equipment. 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 five hundred dollars. The Academy does not have any infrastructure. Building leasehold 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

All capital assets are depreciated. Building leasehold improvements are depreciated over the remaining term of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Furniture and Equipment	5-20 years
Leasehold Improvements	10 years

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 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, 2009, there were no net assets restricted by enabling legislation.

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 96% 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 2009 that would have a material effect on the financial statements.

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, 2009, the bank balance of Academy's deposits was $80,452. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At June 30, 2009, the Academy had intergovernmental receivables in the amount of $180,562. The receivables are expected to be collected within one year and are comprised as follows:

Grant	Amount
School Counselor	$73,514
USDA Child Nutrition Program	$8,570
Title I	41,752
School Improvement	4,498
Title II A	601
Title II D	2,913
Title IV A	2,651
Title XX	10,816
IDEA	35,247
Total Intergovernmental Receivables	$180,562

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Nondepreciable Capital Assets				
Leasehold Improvements				
Construction in Progress	$33,377	$0	($33,377)	$0
Depreciable Capital Assets				
Leasehold Improvements-Buildings	34,712	33,377	0	68,089
Furniture & Equipment	270,880	0	0	270,880
Less Accumulated Depreciation	(164,536)	(54,456)	0	(218,992)
Total Depreciable Capital Assets	$141,056	($21,079)	($33,377)	$119,977
Total Capital Assets	$174,433	($21,079)	($33,377)	$119,977

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 2009, the Academy contracted with Pashley Insurance Agency to provide insurance coverage with the Hartford Casualty 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	2,000,000
Medical Expense Limit - Any One Person/Occurrence	10,000
Damage to Rented Premises - Each Occurrence	300,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Buildings	6,527,900
Business Personal Property	850,900
Excess/Umbrella Liability:	
Each Occurrence	8,000,000
Aggregate Limit	8,000,000

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

Note 8 – Purchased Services

For the period July 1, 2008 through June 30, 2009, purchased service expenses were as follows:

Purchased Service	Amount
Personnel Services	$2,728,797
Building Services	213,176
Food Service	196,057
Student Services	114,878
Staff and Administrative Services	618,212
Professional Services	16,954
Sponsor Services	65,819
Advertising	20,548
Total	$3,974,441

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 School as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employees Retirement System

Plan Description - The Academy 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 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 2009, 9.09 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, 2009, 2008 and 2007 were $33,762**,** $38,176 and $39,210 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, 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 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.

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, 2009, 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. For fiscal year 2008, 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were $185,612, $199,322 and $188,858 respectively; 95 percent has been contributed for the fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for the fiscal year 2009 were $0 made by the Academy and $0 made by the plan members.

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. The contribution rate is 6.2 percent of wages. As of June 30, 2009, none of the Academy staff have elected Social Security.

Note 10 – Postemployment Benefits

A. School Employees Retirement System

Plan Description – The Academy 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.

Note 10 – Postemployment Benefits (Continued)

A. School Employees 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 2009, 4.16 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 Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $15,407, $17,421 and $12,186 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009 and 2008 were $2,433 and $2,751 respectively; 100 percent has been contributed for fiscal year 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The Academy 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 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 2009, 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, 2009, 2008, and 2007 were $14,278, $15,333, and $14,521 respectively; 95 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009.

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 could result in state funding being adjusted. 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, 2009.

Note 12 – Building Leases

The Academy has entered into a lease for the period from July 1, 2004 through November 30, 2019 with ECE Company, LLC a wholly owned subsidiary of Mosaica Education, Inc. for the use of the main building and grounds as a school facility. Mosaica Education, Inc. is a related party, as disclosed in Note 16. Rent charges and allowable facility costs passed through totaled $1,014,904 for the fiscal year. Under the lease agreement, the Academy is responsible for paying all utilities, maintenance and repairs, and applicable property taxes. The following summarizes the occupancy costs for the Academy:

Base rent	$ 823,592
Property taxes	190,036
Miscellaneous maintenance	1,276
Total occupancy costs	$ 1,014,904

Property taxes are accrued but remain unpaid. The owner / landlord have filed for property tax exemption under Ohio Revised Code 5709.07 and 3314.08. The application was pending at June 30, 2009.

There are scheduled inflationary rent adjustments (lesser of 5% or CPI factor) effective December 1st once every two years. The lease also stipulates that renovation investments in the building by the owner will cause rent to increase by an annual factor of 9.25% - 10.0% of the investment. During fiscal 2009, the owner invested $423,734 into the property.

The following is a schedule of the future minimum payments, excluding allowable facility cost passthroughs, required under the operating lease as of June 30, 2009:

Fiscal Year Ending June 30	Amount
2010	$832,572
2011	856,855
2012	874,201
2013	899,698
2014	917,911
2015-2019	4,334,162
Total minimum lease payments	$8,715,399

Note 13 – Long-Term Obligations

Changes in the Academy's long-term obligations during fiscal year 2009 were as follows:

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009	Amount Due Within One Year
Capital Leases Payable	49,596	0	(18,106)	31,490	9,937

Note 14 – Capital Lease-Lessee Disclosure

The Academy has entered into capitalized leases for the use of computer equipment and furniture. Each lease meets the criteria of capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. Principal retirements in 2009 were $18,106.

	Amount
Furniture and Equipement	$75,249
Less Accumulated Depreciation	(17,802)
Total June 30, 2009	$57,447

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

	Capital Lease	
Fiscal Year Ending June 30	Principal	Interest
2010	$9,937	$2,262
2011	$9,028	$1,440
2012	$7,715	$767
2013	$4,810	$137
Total	$31,490	$4,606

Note 15 –Tax Exempt Status

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

Note 16 – Related Party Transactions/Management Company

The Academy contracts with Mosaica Education, Inc. for 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 statements, budget preparation, accounts payable, and payroll preparation.

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2009 was $585,899. In addition, upon termination of the agreement due to nonperformance by either party, or in the event of nonrenewal upon expiration of the agreement, the Academy must pay Mosaica Education Inc $100,000 per year for three consecutive years.

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 2009 were $2,844,581.

At June 30, 2009, the Academy had payables to Mosaica Education, Inc. in the amount of $2,138,010. The following is a schedule of payables owed to Mosaica Education, Inc.

	Amount
Payroll	$725,568
Management Fee	381,496
Building Rent and Tax Passthrough	981,064
Interest/Finance Charges	32,170
Miscellaneous	17,712
Total June 30, 2009	$2,138,010

Note 17 – Sponsor

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) through June 30, 2018. As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation and other state aid. Total amount due and paid for fiscal year 2009 was $65,819.

Note 18 – Management's Plan

For fiscal year 2009, the Academy had an operating loss of $1,894,853, a decrease in net assets of $685,598, and net asset deficit of $2,121,423. Projected revenues and expenses for fiscal year 2010 indicate these financial difficulties will continue during next fiscal year. As of December 31, 2009, the Academy's change in net assets was ($467,894) and net asset deficit was ($2,589,317).

Final full-time equivalents student enrollment was 488 and 642 students for the fiscal years ending June 30, 2009 and 2008, respectively. Current full-time equivalent student enrollment as of December of 2009 is 380 students. The current capacity for full time student enrollment is 750.

Note 18 – Management's Plan (Continued)

Management plans to continue its efforts to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which will help reduce future deficits and operating losses.

Note 19 – Subsequent Event

An amended and restated Management Agreement was signed and approved by the Academy's Board of Directors effective July 1, 2009. The amended agreement established a schedule of payment by the Academy to Mosaica Education, Inc for the $300,000 start-up fee originally agreed upon in the February 12, 2004 Management Agreement. The amended agreement states that the start-up fee is a promissory note to be repaid with no interest starting July 1, 2009 and amortized through June 30, 2018 with regular equal monthly payments to be made on the fifteenth day of each month, starting with the first month after the start date. Upon any termination or expiration of this agreement by either party for any reason, the entire unpaid principle balance together with all accrued interest of the start-up note shall become due and payable by the Academy to Mosaica Education, Inc.

COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Receipts	Disbursements
<u>United States Department of Agriculture</u>			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	$ 56,757	$ 56,757
National School Lunch Program	10.555	194,798	194,798
Total U.S. Department of Agriculture-Nutrition Cluster		251,555	251,555
<u>United States Department of Education</u>			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	536,389	403,002
School Improvement Grant	84.377	29,789	29,787
Special Education Grants to States	84.027	106,853	86,540
Safe and Drug Free School and Communities State Grants	84.186	555	698
State Grants for Innovative Programs	84.298	1,932	1,798
Improving Teacher Quality State Grants	84.367	31,116	23,339
Education Technology State Grants	84.318	4,698	8,658
<u>United States Department of Education</u>			
School Counselor Grant	84.215E	297,070	306,939
Total United States Department of Education		1,008,402	860,761
TOTAL FEDERAL AWARDS		**$ 1,259,957**	**$ 1,112,316**

The accompanying notes are an integral part of this schedule.

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 cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – TRANSFERS

The Academy generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th) However, with ODE's approval, an Academy can transfer unspent Federal assistance to the succeeding year, thus allowing the Academy a total 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education (ODE) authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	2008	69,421	
84.010	Title I Grants to Local Educational Agencies	2009		69,421
84.367	Title II - A Improving Teacher Quality	2008	10,271	
84.367	Title II - A Improving Teacher Quality	2009		10,271
84.318	Education Technology State Grants	2008	916	
84.318	Education Technology State Grants	2009		916
84.186	Safe and Drug Free Schools Grant	2008	8,152	
84.186	Safe and Drug Free Schools Grant	2009		8,152
84.298	Innovative Programs, Title V	2008	363	
84.298	Innovative Programs, Title V	2009		363

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*

Columbus Arts and Technology Academy
Franklin County
2255 Kimberly Parkway East
Columbus, Ohio 43232

To the Board of Directors:

We have audited the basic financial statements of Columbus Arts and Technology Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 31, 2010 wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. 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.

We noted certain matters that we reported to the Academy's management in a separate letter dated January 31, 2010.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated January 31, 2010.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2010

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Columbus Arts and Technology Academy
Franklin County
2255 Kimberly Parkway East
Columbus, Ohio 43232

To the Board of Directors:

Compliance

We have audited the compliance of Columbus Arts and Technology Academy (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 apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Columbus Arts and Technology Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report which is described in the accompanying schedule of findings as item 2009-001.

In a separate letter to the Academy's management dated January 31, 2010, we reported another matter related to federal noncompliance not requiring inclusion in this report.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Academy's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Government's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 2009-001 to 2009-002 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated January 31, 2010.

The Academy's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2010

COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Title I Grants to Local Education Agencies---CFDA #84.010 School Counselor Grant—CFDA#84.215E
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Title I-Activities Allowed and Allowable Costs/Cost Principles

Finding Number	2009-01
CFDA Title and Number	Title I Grants to Local Educational Agencies ---CFDA #84.010
Federal Award Year	2009
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Significant Deficiency/Material Weakness

2 C.F.R. Part 225, Appendix B Section 8.h. (1), (4), (5), & (6) provides in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, the distribution of compensation needs to be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met.

The Title I Director's contract authorized 75% of the employee's salary to be paid out of Title I funds. The Academy paid salary and benefits of $39,220 to employee for Title I Director services but there was no certification or activity reports maintained to document the extent those salaries and benefits were within the scope of the Title I program objectives. The Academy reclassified $69,517 of expenditures not related to the $39,220 noted in the previous sentence to non-federal resources and no questioned cost will be issued.

The Academy should ensure that documentation supporting direct costs of the Title I Program is maintained to demonstrate expenditures meet the direct costs provisions for expenditures incurred.

Officials' Response/Corrective Action Plan:

The Academy's policies require that activity logs be maintained for staff that are partial FTEs for federal programs and semi-annual certifications for staff that are full FTEs on a single federal program. With the exception of the program director noted above whose logs could not be located, certifications and/or activity logs were made available to auditors for all staff funded by federal program. Latrice Hicks, the Chief Administrative Officer, has reviewed the certifications and/or activity logs of staff for 2009-10 fiscal year to ensure that adequate support is being maintained to fulfill the requirements of state and federal program guidelines. All certifications, activity logs and eligibility criteria are being maintained in a Title I binder at the Academy.

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

Significant Deficiency/Material Weakness

2. Board of Director's Oversight of Federal Funds

Finding Number	2009-002
CFDA Title and Number	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377 School Counselor Grant – CFDA #84.215E
Federal Award Year	2009
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

The Academy contracts with Mosaica Education, Inc. for the operations at the School, including the management and administration of federal grant funds. While the Academy relies on Mosaica Education, Inc. for management and administration of these funds, the Board of Directors are responsible for the management company's activities since the Academy is considered the subrecipient of the federal grant funds.

The Academy should not defer their responsibilities for the management and administration of grant funds to Mosaica Education, Inc., who have a vendor relationship with the Academy. The Academy is required to have policies in place to comply with federal compliance requirements, including but not limited to procurement requirements. Schools that receive federal funds must comply with 34 CFR 80.36, *Procurement* and 34 CFR 74.40, *Purpose of Procurement Standards*.

Employees of Mosaica Education, Inc. maintain the Academy's bank account, but can only manage and administer the federal programs on-behalf of the Academy. It is the responsibility of the Board of Directors as representatives of the Academy to have formal policies or procedures in place to authorize approve and oversee the federal grant funds under their authority. Currently the Board of Directors reviews monthly overall financial activity of the Academy as opposed to a detailed review of federal activity.

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

Significant Deficiency/Material Weakness (Continued)

2. Board of Director's Oversight of Federal Funds (Continued)

Finding Number	2009-002
CFDA Title and Number	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377 School Counselor Grant – CFDA #84.215E
Federal Award Year	2009
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

We recommend that the Board of Directors implement procedures to authorize, approve, and oversee the federal funds of the Academy. Suggested policies and procedures include establishing a formal policy regarding competitive bidding or quotes, monitoring the annual application for federal funds, reviewing a monthly list expenses charged against each federal grant, and reviewing the final expenditure report for each grant at the end of each grant year.

Officials' Response/Corrective Action Plan:

While it is accurate that the Academy's Board contracts for the administration, oversight and reporting of its state and federal programs, it is important to note that in no circumstances has the Academy's management company, Mosaica Education, ever received disbursements of state or federal grant funds from the Ohio Department of Education. In fact, the Ohio Department of Education has all state and federal funds directly deposited in the Academy's bank account. As such, the Academy has physical custody of all local, state and federal funds. In addition, prior to the start of each fiscal year, the Academy's Board adopts a budget that specifies how local, state and federal sources can be spent. The Board budget is revised periodically throughout the year to keep it aligned with the way the Ohio Department of Education approves spending for the various state and federal grant programs. If the Board were to disagree with the way local, state or federal programs have been budgeted, they have the ability to request that changes be made prior to adoption of the budget. As noted by the auditors, the Board does receive line item budget to actual reports with each grant grouped separately on a monthly basis to keep them informed as to the progress of spending dollars in accordance with the budget they and the Ohio Department of Education have approved.

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

Significant Deficiency/Material Weakness (Continued)

2. Board of Director's Oversight of Federal Funds (Continued)

Finding Number	2009-002
CFDA Title and Number	Federal School Breakfast Program-CFDA # 10.553 National School Lunch Program-CFDA #10.555 Title I Grants to Local Educational Agencies—CFDA #84.010 Special Education Grants to States—CFDA #84.027 Safe and Drug Free School and Communities State Grants—CFDA #84.186 State Grants for Innovative Programs—CFDA #84.298 Improving Teacher Quality State Grants—CFDA #84.367 Education Technology State Grants—CFDA #84.318 School Improvement Grant—CFDA #84.377 School Counselor Grant – CFDA #84.215E
Federal Award Year	2009
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Officials' Response/Corrective Action Plan (Continued):

The Board and its administrative team agree to abide by federal grant program guidelines as a condition of receiving federal funding. The Board and its management believe that this finding does not accurately reflect the true level of involvement of the Academy's Board as the Board does fulfill its fiscal responsibilities by actively monitoring the operations of the Academy, including federal and state grant programs through monthly budget to actual comparison reporting that details expenditures at the individual grant line item level.

Auditor of State Conclusion:

Although there is a bank account maintained in the Academy's name, employees of Mosaica Education, Inc. administer the funding that is collected and spent from that bank account. In addition, the federal grants of the Academy are applied for and administered in the Academy's name by employees of Mosaica Education, Inc. The Auditor of State is recommending that the Board authorize grants to be received by Academy, ensure policies and procedures are in place to ensure proper procurement of federal funds, and oversee the grant expenditures throughout the year to ensure that federal monies are spent in accordance to the grant applications.

COLUMBUS ARTS AND TECHNOLOGY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	Promissory Note Payment	Yes	N/A
2008-002	Governing Authority - Board Members	Yes	N/A
2008-003	7 C.F.R. Section 245.6- Free and Reduced Lunch Applications Verification	Yes	N/A
2008-004	Title I, Section 115 of ESEA (20 U.S.C. Section 6315) – Title I Student Eligibility	Yes	N/A

Mary Taylor, CPA
Auditor of State

Independent Accountants Report on Applying Agreed-Upon Procedures

Columbus Arts and Technology Academy
Franklin County
2255 Kimberly Parkway East
Columbus, OH 43232

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Columbus Arts and Technology Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 18, 2007.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

   (6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

3. We read the policy, noting it did not include the following requirement from Ohio Rev. Code Section 3313.666 (B):

   (1) A requirement that the Academy administration semiannually provide the president of the board of Directors a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

   Official's Response:
   The Academy's Board and its management are researching the relevant ORC Statute and anticipate formalizing an amendment to require semiannual reporting of incidents to the Board of Directors.

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 the Ohio Council of Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2010

Mary Taylor, CPA
Auditor of State

COLUMBUS ARTS AND TECHNOLOGY ACADEMY

FRANKLIN 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
APRIL 6, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us