PERFORMANCE ACADEMY OF EASTLAND
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

PERFORMANCE ACADEMY EASTLAND
FRANKLIN COUNTY

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

Performance Academy Eastland
Franklin County
2234 South Hamilton Road
Columbus, Ohio 43232

To the Board of Directors:

We have audited the accompanying basic financial statements of Performance Academy Eastland, Franklin County, Ohio (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 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 respective financial position of Performance Academy Eastland, Franklin County, Ohio, as of June 30, 2009, and the respective changes in 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 April 23, 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.

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www.auditor.state.oh.us

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

The discussion and analysis of the Performance Academy Eastland's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. 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 notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A; however 2009 was the Academy's first year of operation.

Financial Highlights

- In total, at June 30, 2009 net assets were $136.
- Total assets were $17,601.
- Total liabilities were $17,465.

Using this Financial Report

This report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Reporting the Academy's Financial Activities

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

The Statement of Net Assets answers the question, "How did we do financially during 2009?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the 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. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-18 of this report.

Table 1 provides a summary of the Academy's net assets at June 30, 2009.

(Table 1)

Net Assets

Assets	FY 2009
Current Assets:	
Cash and Cash Equivalents	$136
Intergovernmental Receivable	17,465
Total Assets	$17,601
Liabilities	
Current Liabilities:	
Accounts Payable-Management Company	17,465
Total Liabilities	17,465
Net Assets	
Unrestricted	$136
Total Net Assets	$136

Total assets increased $136. This was the result of total revenues of $765,992 exceeding total expenditures of $765,856.

Table 2 shows the change in net assets for fiscal year 2009, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2009
Operating Revenues	
Foundation Payments	$ 628,368
Charges for Services	5,322
Other Operating Revenues	100
Total Operating Revenues	633,790
Operating Expenses	
Purchased Services-Mgmt Fees	765,844
Other Operating Expenses	12
Total Operating Expenses	765,856
Operating Loss	(132,066)
Non-Operating Revenues	
Federal Grants & State Restricted Grants	82,202
Sponsor Grant	50,000
Total Non-Operating Revenues	132,202
Change in Net Assets	136
Net Assets – Beginning of Year	0
Net Assets – End of Year	$ 136

Net assets increased $136. Total revenues were $765,992, and total expenses were $765,856. This was the school's first year of operation. Community schools receive no support from tax revenues.

Management fees expenditures of $765,844 were directly related to revenues, the management company contract, and the Academy's payments to SERS and STRS on behalf of the management company.

Capital Assets
The Academy had no capital assets due to the nature of the full performance contract with Performance Academies.

Current Financial Issues
The Academy was established in 2008 through a charter with the Ohio Council for Community Schools. In FY09 enrollment was approximately 85 students. The Academy receives its funding primarily from state aid. Per pupil base aid for fiscal year 2009 was $5,732.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information contacts Toby Pinkerton, Treasurer at Performance Academy Eastland, 7416 N. Main St. Dayton OH 45415 or email at tpinkerton@performanceacademies.com.

PERFORMANCE ACADEMY EASTLAND
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets		
Current Assets:		
Equity in Cash and Cash Equivalents	$	136
Intergovernmental Receivable		17,465
Total Current Assets		17,601
Current Liabilities:		
Accounts Payable-Management Company		17,465
Total Current Liabilities		17,465
Net Assets		
Unrestricted		136
Total Net Assets	$	136

See accompanying notes to the basic financial statements.

PERFORMANCE ACADEMY EASTLAND
FRANKLIN COUNTY

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

Operating Revenues		
Foundation Payments	$	628,368
Charge for Services		5,322
Other Operating Receipts		100
Total Operating Revenues		633,790
Operating Expenses		
Purchased Services - Management Fees		765,844
Other Operating Expenses		12
Total Operating Expenses		765,856
Operating Loss		(132,066)
Non-Operating Revenues		
Federal and State Restricted Grants		82,202
Sponsor Grant		50,000
Total Non-Operating Revenues		132,202
Change in Net Assets		136
Net Assets at Beginning of Year		-
Net Assets at End of Year	$	136

See accompanying notes to the basic financial statements.

PERFORMANCE ACADEMY EASTLAND

FRANKLIN COUNTY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Foundation Receipts	$ 620,608
Charges for Services	5,322
Other Operating Receipts	100
Cash Payments to Suppliers for Goods and Services	(748,391)
Net Cash Used for Operating Activities	(122,361)
Cash Flows From Non-Capital Financing Activities	
Cash Received from Federal, State, and Sponsor Grants	122,497
Net Increase in Cash	136
Cash at Beginning of Year	-
Cash at End of Year	$ 136
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(132,066)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Changes in assets and liabilities	
Increase in Receivable	(7,760)
Increase in Accounts Payable	17,465
Net Cash Used for Operating Activities	$ (122,361)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ENTITY

Performance Academy Eastland (the Academy) has applied for designation as a tax exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. It was established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade five. 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, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy contracts with Performance Academies LLC. For the majority of its functions (See Note 6).

The Academy was approved for operation under a contract with the Ohio Council of Community Schools for a period of ten years commencing in July 2008. The Sponsor is responsible for evaluation the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Directors (The Board). The Board is responsible for carrying out the provisions of the contract with the sponsor which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board of Directors leases the Academy's one instructional/support facility from Performance Academies as noted in the management agreement. The facility is staffed with teaching personnel employed by Performance Academies.

The Academy is associated with the Metropolitan Dayton Education Computer Association, a jointly governed organization. It is a computer consortium of area schools sharing computer resources.

Reporting Entity:
A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments, boards, and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization's governing board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization's resources; the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Academy is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget and issuance of debt. The Academy has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. 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 to its proprietary activities provided they do no conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements 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.

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

B. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The Statement of Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The Statement of Cash Flows provides information about how the Academy finances and meets cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the 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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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.

Expenses are recognized at the time they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its sponsor.

The contract between the Academy and its sponsor requires that monthly budget reports be prepared comparing actual for the month to budgeted amount for the month. It also requires that a variance report accompany the monthly reports identifying areas that may need to be adjusted to maintain a balanced budget. Monthly reports and timely presentations are to be furnished to the Board by the treasurer with recommendations for Board action to adjust the spending plan as appropriate action is warranted.

E. Cash Deposits

All cash received by the Academy is maintained in a demand deposit account.

F. Net Assets

Net assets represent the difference between the assets and liabilities. The Academy's net assets are unrestricted at June 30, 2009.

G. Concentration of Business and Current Risk

As of June 30, 2009, funds received from the federal and state of Ohio governments represented 100% of the revenues and accounts receivable reported by the Academy. Accordingly, the risk exists that the ability to receive funds from these governments could affect the financial status of the Academy.

H. 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.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state and sales for food services and school fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

3. CHANGE IN ACCOUNTING PRINCIPLES

There were no changes in accounting principles implemented during 2009 that would have a material effect on the financial statements.

4. DEPOSITS

The Academy maintains its cash balance in a demand deposit account in two financial institutions located in Columbus, Ohio. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At June 30, 2009 the Academy's cash balance was $136, so 100 percent was covered by FDIC. The Academy had no investments at June 30, 2009, or during the fiscal year.

5. 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; and natural disasters. As part of its management agreement with Performance Academies, Performance Academies has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement.

6. AGREEMENT WITH PERFORMANCE ACADEMIES, INC.

On August 15, 2008, the Academy contracted with Performance Academies, Inc., to provide educational programs that offer educational excellence and innovation based upon the Academy's unique school design, comprehensive educational program, and sound school and business principles and management methodologies. This contract remains in effect as long as the Academy continues to renew the contract and has entered into or is continuing to operate under any chartering school contract. Under the contract Performance Academies is responsible for providing educational and management services and products, human resources administration, including school personnel and business management, curricula, programs, contract administration and technology. Significant provisions of the contract are as follows:

A. Financial Provisions

Management Consulting and Operation Fee

The Academy pays Performance Academies all state and federal per pupil allocations, transportation, technology or other operational funds, including private donations, endowments, or grants applied for on behalf of the Academy, except for two percent of the base state per pupil allocation. This two percent is to be retained by the Academy as a Board Reserve to be used by June 30 of each year for the Academy's benefit. The amount paid to Performance Academies by the Academy is reflected in the Statement of Revenues, Expenses, and Changes in Net Assets as Purchased Services – Management Fees operating expense.

The Academy's Financial Responsibility

The Academy uses the Board Reserve to pay Board members' compensation; expenses for fund raising and grant writing accomplished by the Academy; and other expenses for the benefit of the Academy at the Board's discretion. The actual transactions related to these expenditures are performed by Performance Academies under the Academy's direction.

6. AGREEMENT WITH PERFORMANCE ACADEMIES, INC. (Continued)

A. Financial Provisions (Continued)

Performance Academies Financial Responsibilities

Performance Academies is responsible for the payment of all wages, compensation and expenses of Performance Academies or the Academy including the Superintendent, Treasurer, assistants, administrators, clerical staff, and teachers. Performance Academies is also responsible for and janitorial services; worker's compensation; other insurance; necessary comprehensive or premises liability insurance; and attorney fees. Performance Academies pays their own office expenses and supplies; leases for equipment and the Academy offices or facilities; and travel, lodging and other expenses incurred pursuant to services rendered by Performance Academies.

Financial Reporting by Performance Academies

Performance Academies shall provide the Academy's Board with a proposed and projected annual budget prior to opening each fiscal year; statements of all revenues received with respect to the Academy, and statements of all direct expenditures for services rendered to or on behalf of the Academy. Performance Academies also provides consultation on annual audits in compliance with state law and regulations showing the manner in which funds are spent for the Academy. Performance Academies reports on Academy operations and finances on a quarterly basis and other information on a reasonably requested basis to enable the Board to monitor the performance of the Academy; and a reasonable opportunity to inspect, examine, audit and otherwise review the books, records, accounts, ledgers and other financial documents of Performance Academies to the extent that they relate to or otherwise pertain to activities of the Academy.

Financial Reporting by the Academy

The Academy shall provide Performance Academies with statements of all funds received by the Academy from grants applied for by the Academy, donations or endowments and statements of all expenditures and investments made with such funds, as well as with the Board Reserve funds.

B. Personnel

Performance Academies selects and hires all teaching staff, administrative or other staff. They also evaluate, assign, discipline and transfer personnel. Performance Academies also selects the Academy's Superintendent and establishes employment terms. During the first two years of operation, the Superintendent shall be a representative of Performance Academies. Performance Academies determines the number of teachers needed for the operation of the Academy and selects and hires all teachers. The personnel who perform services at the Academy are employees or subcontractors or service providers of Performance Academies and are paid by Performance Academies.

6. AGREEMENT WITH PERFORMANCE ACADEMIES, INC. (Continued)

C. Agreement Termination

Termination by the Academy

The Academy may terminate the Contract after prior written notice to Performance Academies if the Academy ceases to be approved by the Ohio Department of Education as an Ohio Community School and the Academy or Performance Academies cannot secure another sponsor; upon sixty days prior written notice in the event that Performance Academies be guilty of a felony or fraud, gross negligence, or other act of willful or gross misconduct in the rendering of services under the Agreement, or in the event that Performance Academies fails to remedy a material breach of its duties or obligation within six months after written notice of the breach is provided to Performance Academies by the Academy, if Performance Academies has failed to cure such breach during the first three months of the notice period.

Termination by Performance Academies

Performance Academies may terminate the Contract in the event the Academy materially breaches the Agreement and the Academy fails to remedy such a breach within ninety days of its receipt of written notice of such breach from Performance Academies.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Performance Academies, on behalf of the Academy, contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30,2009, the allocation to pension and benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension obligations to SERS are paid and reported by the Management Co. Refer to Note 6.

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Performance Academies, on behalf of the Academy contributes to 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 issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, calling (614) 227-4090, or by visiting the STRS Ohio website 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 contributions and earned interest matched by STRS Ohio funds times an actuarially determines annuity factor. The DC Plan allows members to place all their membership contributions and employer contributions equal to 10.5% 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 retirement or lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or combined Plan member with five or more years credited service that 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ending 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. 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 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 are paid and reported by the Management Co. (Note 5.)

8. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. Ohio law authorizes STRS Ohio to offer the plan and gives the Retirement Board statutory 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 healthcare may be deducted from employer contributions.

For the Academy, the STRS amount allocated to post-employment health care are paid and reported by the Management Co. (Note 5.)

State Teachers Retirement System of Ohio is one of the nation's premier retirement systems, serving 458,500 active, inactive and retired Ohio public educators. With investment assets of $72.6 billion (including short term investments) as of June 30, 2008, STRS Ohio is one of the largest public pension funds in the country. In 2007-2008 STRS Ohio paid more than $4.3 billion in service retirement, disability and survivor benefits plus $540 million for optional health care coverage.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40, SERS' reimbursement to retirees was $45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. For the Academy's, the SERS amounts allocated to post-employment health care are paid and reported by the Management Co. (Note 5.).

8. POST EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the Academy's, the SERS amounts allocated to post-employment health care are paid and reported by the Management Co. (Note 5.).

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

9. RECEIVABLES

At June 30, 2009, the Academy had intergovernmental receivables in the amount of $17,465. The receivables are expected to be collected within one year and are comprised as follows:

Grant	Amount
State Foundation	$ 7,760
Title I	9,705
	$ 17,465

10. 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.

B. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrolment 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. A review conducted by the Ohio Department of Education reflected the Academy is owed $7,760 from the Ohio Department of Education. This is reported as part of intergovernmental receivables on the June 30, 2009 Statement of Net Assets.

11. METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION

The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundary of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Performance Academies paid MDECA for services provided during the fiscal year for the Academy. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

12. MANAGEMENT COMPANY EXPENSES

As per the agreement with Performance Academies (see note 5), 98% of the school’s revenue is paid to Performance Academies as a management fee. The related ‘purchased services’ expense totaled $765,844 for the year ended June 30, 2009 including STRS and SERS payments made by the Academy on behalf of Performance Academies..

12. MANAGEMENT COMPANY EXPENSES (Company)

Performance Academies incurred the following actual direct and indirect expenses on behalf of the school:

Expenses		**2009**
Direct Expenses:		
Salaries & wages	$	265,789
Employees' benefits		92,396
Professional & technical services		39,244
Sponsorship Fees		8,934
Property Services		91,528
Travel		215
Communications		1,952
Other purchased services		24,163
Books, periodicals, & films		58,770
Other supplies		40,262
Other direct costs		12,244
Indirect expenses:		
Overhead		130,347
Total Expenses	$	765,844

Overhead charges are assigned to the Academy based on a percentage of students enrolled at each location operated by Performance Academies . These charges represent the indirect cost of services provided in the operation of the Academy. Such services include, but are not limited to facilities management, equipment, operations support services, management and management consulting, board relations, human resources management, training and orientation, and financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

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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*

Performance Academy Eastland
Franklin County
2234 South Hamilton Road
Columbus, Ohio 43232

To the Board of Directors:

We have audited the basic financial statements of Performance Academy Eastland, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 23, 2010. 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 a certain internal control matter that we reported to the Academy's management in a separate letter dated April 23, 2010.

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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 management, the Board of Directors, the audit committee, and the Ohio Council of Community Schools. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2010

Mary Taylor, CPA
Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Performance Academy Eastland
Franklin County
2234 South Hamilton Road
Columbus, Ohio 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 Performance Academy Eastland, Franklin County, Ohio (the School) 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 did not adopt an anti-harassment policy in fiscal year 2009.

2. The policy needs to include 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 shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedures for reporting prohibiting 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 the School 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 School 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;

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

(7) 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;

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

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

(10) 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;

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 management, the Board of Directors, the audit committee, 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

April 23, 2010

Mary Taylor, CPA
Auditor of State

PERFORMANCE ACADEMY EASTLAND

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
MAY 11, 2010