PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Premier Academy of Ohio
Franklin County
1555 Elaine Road
Columbus, Ohio 43227

To the Board of Directors:

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

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Premier Academy of Ohio, Franklin County, Ohio, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditures 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 not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures 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

October 16, 2009

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

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets were a deficit of $(147,704) at June 30, 2008.
- The Academy had operating revenues of $1,813,838, operating expenses of $2,660,849, non-operating revenues of $604,608, and non-operating expenses of $2,836 for fiscal year 2008.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Change in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

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

These two statements report the Academy's *net assets* and change 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 provides information about how the Academy finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

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

Assets, Liabilities and Net Assets

	2008	2007
Assets		
Current assets	$ 129,152	$ 529,760
Capital assets, net	28,194	24,762
Total assets	157,346	554,522
Liabilities		
Current liabilities	291,293	344,817
Long term liabilities	13,757	26,148
Total liabilities	305,050	370,965
Net Assets		
Invested in capital assets, net of related debt	8,425	(2,091)
Restricted	14,568	330,621
Unrestricted (deficit)	(170,697)	(144,973)
Total net assets (deficit)	$ (147,704)	$ 183,557

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's net assets were a deficit of $(147,704).

Current assets decreased by 76%, primarily due to a decrease in cash and cash equivalents in the amount of $378,770. This decrease was primarily due to a decrease in operating revenue from fiscal year 2007. At June 30, 2008, capital assets represented 17.92% of total assets. Capital assets, net of related debt to acquire the assets at June 30, 2008, were $8,425. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

Change in Net Assets

	2008	2007
Operating Revenues:		
State foundation	$ 1,813,760	$ 2,434,376
Charges for services	78	662
Total operating revenue	1,813,838	2,435,038
Operating Expenses:		
Salaries and wages	905,319	694,688
Fringe benefits	373,631	122,128
Purchased services	1,046,380	1,661,276
Materials and supplies	242,500	226,004
Depreciation	7,785	6,190
Other	85,234	16,233
Total operating expenses	2,660,849	2,726,519
Non-operating Revenues and Expenses:		
Federal and State grants	577,417	479,186
Interest expense	(2,836)	(6,947)
Interest income	27,191	2,799
Total non-operating revenues and expenses	601,772	475,038
Loss before special item	(245,239)	-
Special Item:		
Arbitration settlement	(86,022)	-
Change in net assets	(331,261)	183,557
Net assets at beginning of year	183,557	-
Net assets (deficit) at end of year	$ (147,704)	$ 183,557

During fiscal year 2008, there was a 22.38% decrease in student enrollment from fiscal year 2007. This led to the large decrease in State foundation revenue. There was not a significant change in expenditures from fiscal year 2007. For fiscal year 2008, the Academy recognized a special item in the amount of $86,022 related to an arbitration settlement reached with the Academy's former management company, Premier Educational Services.

Capital Assets

At June 30, 2008, the Academy had $28,194 invested in furniture and equipment. The Academy had $11,217 in capital asset additions and $7,785 in depreciation expense for the year. See Note 5 to the basic financial statements for more detail on capital assets.

Debt Administration

The Academy entered into capital leases for copier and phone equipment. At June 30, 2008, $12,391 of the lease obligation was due in one year and $13,757 was due in more than one year.

Current Financial Related Activities

For fiscal year 2008, the Academy was sponsored by Educational Resource Consultants of Ohio. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

The Academy relies primarily on State foundation revenues, which are based on student enrollment. There was a large decrease in enrollment from fiscal year 2007. Therefore, the Academy is attempting to increase its future State foundation revenues by marketing the Academy to 257 students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Arlene Wilson, Treasurer, Premier Academy of Ohio, 1555 Elaine Road, Columbus, Ohio 43227.

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current assets:	
Intergovernmental Receivable	$ 129,152
Total current assets	129,152
Non-current assets:	
Capital assets, net	28,194
Total non-current assets	28,194
Total assets	157,346
Liabilities:	
Current:	
Cash Overdraft	16,082
Accounts payable	109,180
Accrued wages and benefits	68,873
Pension obligation payable	47,828
Intergovernmental payable	36,939
Capital lease payable	12,391
Total current liabilities	291,293
Long-term liabilities:	
Capital lease payable	13,757
Total liabilities	305,050
Net Assets:	
Invested in capital assets, net of related debt	8,425
Restricted for:	
State funded programs	7,150
Federally funded programs	7,418
Unrestricted (deficit)	(170,697)
Total net assets	$ (147,704)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

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

Operating revenues:	
State foundation	$ 1,813,760
Charges for services	78
Total operating revenues	1,813,838
Operating expenses:	
Salaries and wages	905,319
Fringe benefits	373,631
Purchased services	1,046,380
Materials and supplies	242,500
Depreciation	7,785
Other	85,234
Total operating expenses	2,660,849
Operating loss	(847,011)
Non-operating revenues (expenses):	
Federal and state grants	577,417
Interest expense	(2,836)
Interest income	27,191
Total non-operating revenues (expenses)	601,772
Loss before special item	(245,239)
Special item:	
Arbitration settlement	(86,022)
Change in net assets	(331,261)
Net assets at beginning of year	183,557
Net assets at end of year	$ (147,704)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

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

Cash flows from operating activities:	
Cash received from State foundation	$ 1,766,234
Cash received from customers	78
Cash payments for salaries and benefits	(1,187,872)
Cash payments to suppliers for goods and services	(1,135,892)
Cash payments for materials and supplies	(288,769)
Cash payments for other operating activities	(94,239)
Net cash provided by (used for) operating activities	(940,460)
Cash flows from noncapital financing activities:	
Proceeds from cash overdraft	16,082
Federal and state grants	568,432
Net cash provided by noncapital financing activities	584,514
Cash flows from capital and related financing activities:	
Principal payment on capital lease	(35,962)
Interest payment on capital lease	(2,836)
Principal payment on line of credit	(50,000)
Proceeds of line of credit	50,000
Acquisition of capital assets	(11,217)
Net cash used in capital and related financing activities	(50,015)
Cash flows from investing activities:	
Interest received	27,191
Net cash provided by investing activities	27,191
Net increase in cash and cash equivalents	(378,770)
Cash and cash equivalents at beginning of year	378,770
Cash and cash equivalents at end of year	$ -
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (847,011)
Adjustments:	
Depreciation	7,785
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	30,823
(Decrease) in accounts payable	(126,560)
(Decrease) in accrued wages and benefits	(43,505)
Increase in pension obligation payable	16,065
Increase in intergovernmental payable	21,943
Net cash provided by (used for) operating activities	$ (940,460)

Non-Cash Transactions
At June 30, 2008, the Academy purchased $4,728 of capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE ACADEMY

The Premier Academy of Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy specializes in providing a custom-made curriculum for each student to ensure academic success. The Academy utilizes sophisticated technology and small classroom sizes to guarantee individual attention to expose students in grades 7 through 12 to real world experience. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

During fiscal year 2007, the Academy terminated its sponsorship contract with the Educational Service Center of Franklin County and entered into a sponsorship contract with Educational Resource Consultants of Ohio, Inc (the "Sponsor"). The Academy was approved under contract with the Sponsor for a period of three years commencing June 18, 2007 through June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers who provide services to 163 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Change in Net Assets, and a Statement of Cash Flows. The Academy uses a single enterprise presentation. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change 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 and meets its cash flow needs.

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

C. Basis of Accounting

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

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $1,500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The Academy does not capitalize interest.

All capital assets are depreciated. The Academy's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Equipment is depreciated over a period of five to ten years.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Academy first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Academy did not have any net assets restricted by enabling legislation at fiscal year end.

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

G. 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.

H. Estimates

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

I. Economic Dependency

The Academy receives nearly 100% 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.

J. Special Item

Special items are transactions or events that are within the control of the Academy and that are either unusual in nature or infrequent in occurrence. The Academy has reported a special item in the amount of $86,022 related to an arbitration settlement agreement (see Note 17).

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

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

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

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of 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, 2008, the carrying amount of the Academy's deposits was a deficit of $(16,082) and the bank balance was $82,151. The negative cash balance is due to a bank overdraft which is reported as a liability. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at July 1, 2007	Additions	Disposals	Balance at June 30, 2008
Depreciable capital assets:				
Furniture and equipment	$ 30,952	$ 11,217	$ -	$ 42,169
Less: accumulated depreciation	(6,190)	(7,785)	-	(13,975)
Capital assets, net	$ 24,762	$ 3,432	$ -	$ 28,194

NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the Academy has entered into capital lease agreements for copiers and phone equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Copier equipment has been capitalized in the amount of $30,952. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was $12,381 leaving a current book value of $18,571. Phone equipment in the amount of $13,450 has not been capitalized because the individual assets do not meet the Academy's capitalization threshold.

Principal and interest payments in fiscal year 2008 totaled $11,442 and $2,593, respectively.

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

Year Ending June 30	Copiers	Phones	Total
2009	$ 8,976	$ 5,060	$ 14,036
2010	8,976	1,687	10,663
2011	3,908	-	3,908
Total minimum lease payment	21,860	6,747	28,607
Less: amount representing interest	(2,091)	(368)	(2,459)
Present value of minimum lease payments	$ 19,769	$ 6,379	$ 26,148

NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)

$12,391 in capital lease principal payments are due in fiscal year 2009 and $13,757 are due in greater than one year.

NOTE 7 - LINE OF CREDIT

The Academy borrowed $50,000 through a line of credit from Huntington Bank on December 28, 2007, for the purpose of meeting January 2008 payroll obligations. Upon receipt of state funding, this amount was paid in full on January 31, 2008, along with a total of $317 in interest and fiscal charges.

NOTE 8 - OPERATING LEASE

The Academy school facilities are located in a space leased at 1555 Elaine Road, Columbus, Ohio. The lease agreement is with St. Phillip Church for the period of August 14, 2006 through August 13, 2009. The base rental of the lease is $8,500 per month, with a 3% increase in rental payment after the first and second year of the lease term. For fiscal year 2008, the Academy and the Lessor agreed to a $1,000 per month reduction in lease payments due to the Academy purchasing security cameras for the property. Payments totaling $93,805 were made during fiscal year 2008.

The following minimum lease payments will be made for the fiscal year ending June 30:

2009	$106,949
2010	9,018
	$115,967

NOTE 9 - RECEIVABLES

At June 30, 2008, receivables consisted of intergovernmental receivables of $129,152 in state and federal grants. The receivables are expected to be collected in full within one year.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

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

NOTE 10 - PENSION PLANS – (Continued)

A. School Employees Retirement System (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008 and 2007 were $15,362 and $6,615, respectively; nothing has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 10 - PENSION PLANS – (Continued)

B. State Teachers Retirement System of Ohio (Continued)

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008 and 2007 were $100,765 and $66,365, respectively; 80.50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007. Contributions to the DC and Combined Plans for fiscal year 2008 were $3,117 made by the plan members and $3,273 made by the Academy.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $12,504 and $2,056, respectively; nothing has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008 and 2007 were $1,107 and $421, respectively; nothing has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $7,751 and $5,105, respectively; 80.50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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 the fiscal year ended June 30, 2008, the Academy contracted with Indiana Insurance for the following coverage:

General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Errors and Omissions	1,000,000
Property (all locations)	222,500
Computer Coverage:	
Equipment	105,000
Software	50,000
Extra Expense	25,000

There have been no significant decreases in coverage from the previous year. Settled claims did not exceed this commercial coverage in fiscal year 2008.

NOTE 12 - RISK MANAGEMENT – (Continued)

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. The Academy owed $4,581 for this premium on January through June 2008 wages and $647 on accrued wages. The liability is reflected in the financial statements at June 30, 2008.

NOTE 13 - EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through Polaris Benefits. The Academy pays 80% of the monthly premium and employees pay the remaining 20%. The Academy provides life insurance and accidental death and dismemberment insurance to employees through Polaris Benefits.

NOTE 14 - PURCHASED SERVICES

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	$ 785,328
Property services	152,115
Travel/mileage/meeting expense	1,039
Communications	29,604
Other purchased services	78,294
Total	$ 1,046,380

NOTE 15 - MANAGEMENT COMPANY EXPENSES

The Academy's contract with its management company, Premier Education Services (PES), outlines the services to be provided by PES. These include implementation and administration of the Academy's educational program, professional development of instructional personnel, operation of the Academy's building, and all aspects of the business administration of the Academy, with the exception of superintendent and fiscal agent/treasurer services. On January 5, 2008, the Academy terminated its management contract with Premier Educational Services. For the period from July 1, 2007 to January 4, 2008, PES incurred $341,170 in expenses on behalf of the Academy.

NOTE 16 – SPONSOR CONTRACT

The Academy entered into a three-year contract commencing on June 18, 2007 and continuing through June 30, 2010 with the Sponsor. Under the contract, the following terms were agreed upon:

- The educational program of the Academy, including the Academy's mission, its goals, innovative instructional methods, calendar, and the focus of curriculum shall be followed and may not be changed without the written consent of the Sponsor.

NOTE 16 – SPONSOR CONTRACT – (Continued)

- The performance standards (requirements) and assessments shall include statewide proficiency tests and participation in the Sponsor's assessment process at the Academy's cost, and any other standards and/or assessments required by law or recommended by the Sponsor or the Ohio Department of Education. These standards shall be met by the Academy and may be changed from time to time by the Sponsor or the Ohio Department of Education.

- In addition to the required testing, the Academy must assess and keep initial benchmarks acceptable to the Sponsor, of all new students in order to provide guidance for the Sponsor to review adequate yearly progress.

- The Academy shall submit, not later than September 15 of the following school term, to the Sponsor, and to the parents of all students enrolled in the Academy, and the Legislative Office of Education Oversight, its financial statements and annual report of activities and progress in meeting the goals and standards of the contract.

The Academy paid the Sponsor $52,062 during fiscal year 2008 for sponsorship fees.

NOTE 17 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

B. Litigation

On January 5, 2008, the Academy terminated its management contract with its management company, Premier Educational Services (PES). Subsequent to this termination, the Academy became involved in litigation and arbitration with PES. On September 25, 2009, the Academy entered into a settlement agreement in which PES was awarded $86,022 in damages, fees, and costs. This amount has been recorded as a liability and special item on the Academy's financial statements. The Academy has continued without a management company.

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review for fiscal year 2008, the Academy owed $30,712 to the Ohio Department of Education, which is reflected on the basic financial statements as an intergovernmental payable. This liability will be repaid through decreased State foundation funding in fiscal year 2009.

NOTE 18 – MANAGEMENT PLAN

C. Ohio Department of Education Enrollment Review (Continued)

In an effort to improve the financial stability of the Academy, the following action steps have been implemented by management, under direction of the Board:

- Eliminated full-time Special Education Director position and replaced with part-time Special Education Director;
- Eliminated Marketing Consultant position;
- Eliminated Superintendent position;
- Reduced/eliminated temporary clerical staff;
- Eliminated EMIS services contract with Charter School Specialists and assumed these responsibilities in-house;
- Reduced contractual obligations with Environment Control for janitorial services;
- Temporarily cut salaries;
- Eliminated administrative office rental expense by closing administrative office and relocating staff to school building;
- Established repayment plan with Eastman & Smith for legal fees incurred;
- Settled Premier Educational Services lawsuit and established repayment plan within the settlement agreement.

The Academy's Business Manager and Treasurer monitor financial activities on a daily basis. Financial reports are submitted to the Board for approval on a monthly basis to determine the effectiveness of the steps listed above. The Academy has passed a balanced budget for fiscal year 2010 and has a cash balance of $18,757 as of September 30, 2009.

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PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
National School Lunch Program	10.555	$ 38,318	$ 38,318
Total U.S. Department of Agriculture		**38,318**	**38,318**
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Ohio Department of Education:			
Safe and Drug-Free Schools and Communities State Grants	84.186	248	-
State Grants for Innovative Programs	84.298	35	-
Improving Teacher Quality State Grants	84.367	8,817	5,831
Special Education Grants to States	84.027	95,868	89,586
Title I Grants to Local Educational Agencies	84.010	154,345	118,429
Education Technology State Grants	84.318	1,473	1,450
Charter Schools	84.282	255,000	300,000
Total U.S. Department of Education		**515,786**	**515,296**
TOTAL FEDERAL AWARDS		**$ 554,104**	**$ 553,614**

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

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Premier Academy of Ohio's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

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

Premier Academy of Ohio
Franklin County
1555 Elaine Road
Columbus, Ohio 43227

To the Board of Directors:

We have audited the basic financial statements of the Premier Academy of Ohio, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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.

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings number 2008-001 and 2008-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated October 16, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2008-002 and 2008-003.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 management, the Board of Directors, and the Academy's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 16, 2009

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

Premier Academy of Ohio
Franklin County
1555 Elaine Road
Columbus, Ohio 43227

To the Board of Directors:

Compliance

We have audited the compliance of the Premier Academy of Ohio, Franklin County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to 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.

As described in findings 2008-004 and 2008-006 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding activities allowed/unallowed and equipment and real property management requirements applying to its Charter Schools Program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Premier Academy of Ohio, Franklin County, Ohio, complied, in all material respects, with the requirements referred to above applying to its major federal program for the year ended June 30, 2008.

The results of our auditing procedures also disclosed an other instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2008-005.

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 Academy'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 and questioned costs as findings 2008-004 through 2008-006 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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider findings 2008-004 and 2008-006 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 October 16, 2009.

The Academy's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. 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 management, the Board of Directors, 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

October 16, 2009

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

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)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(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?**	Yes
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA #84.282 – Charter Schools Program
(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

Finding Number	**2008-001**

Material Weakness / Significant Deficiency
Expenditure Authorization

During fiscal year 2008, there were no consistent procedures in place for authorization of the Academy's expenditures. Seventeen percent of expenditure transactions tested during fiscal year 2008 showed no evidence of approval by the Academy's superintendent. In these instances, approval over the Academy's expenditures was limited to approval by the Treasurer. The function of the Treasurer in the procurement process should not be to grant authority for purchases to be made, but should be limited to certifying the availability of funds for individual expenditures, or, in the absence of available funds, rejecting purchase requests.

Lack of proper purchase authorization may result in the purchase of improper goods or services that are not consistent with management's objectives or not in compliance with laws, regulations, and grant agreements. In particular, such lack of authorization resulted in expenditures being posted to the wrong account code in the accounting system resulting in known questioned costs totaling $24,496 charged to the Charter Schools Program during fiscal year 2008 that should have been charged to other state or local funds (see Finding 2008-003).

We recommend the Academy implement internal control procedures over the purchasing process by requiring authorization for all purchases as well as review of posting of transactions to the accounting system. Such procedures should designate a purchasing agent who should review and provide written documentation of approval of all purchases and account code to be charged prior to the purchase being made.

Officials' Response:

The Academy has implemented a purchase process that requires authorization for all purchases. The Board approved this process on August 19, 2009, with Resolution #19-08.12.

Finding Number	**2008-002**

Material Noncompliance/Significant Deficiency

Finding Number 2008-005 describes deficiencies in preparing the Academy's federal receipts and expenditures schedule. We believe this finding also represents material noncompliance and a significant deficiency under 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*.

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

Finding Number	**2008-003**

Material Non-Compliance / Material Weakness / Significant Deficiency
Fixed Asset Policy

Finding # 2008-006 below describes deficiencies in the tracking of Academy's capital assets. We believe this finding also represents material noncompliance and a material weakness under 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*.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2008-004
CFDA Title and Number	Charter Schools Program – #84.282
Federal Award Number / Year	2007/2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs / Material Weakness / Significant Deficiency – Activities Allowed/Unallowed
Charter School Program

34 C.F.R. Section 299.2(b)(3) states that funds received under the Elementary and Secondary Education Act are not to be used for general expenses required to carry out other responsibilities of State and local governments. Additionally, 20 U.S.C. Section 6623(aA) defines the eligible uses of funds that may be carried out with grant funds.

The Academy expended the following amounts from the Charter School Program federal grant during fiscal year 2008:

- $8,456 for clerical services provided by the Academy's clerical assistant.
- $9,476 for school security services provided by various security guards.
- $6,000 for fees related to permanent placement of an independent contractor.
- $564 for office moving expenses.

These expenditures represent general operating expenses and should have been paid from other state or local funds. Total known questioned costs for expenditures that were improperly charged to the Charter School Program are $24,496 of the Academy's $300,000 spent on the Charter School Program during fiscal year 2008.

We recommend the Academy take steps to ensure the allowability of activities charged to the Charter School Program grant.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Questioned Costs / Material Weakness / Significant Deficiency – Activities Allowed/Unallowed Charter School Program (Continued)

Officials' Response and Corrective Action Plan:

There are no other start-up grants available to the Academy. Effective in FY 2009, the Academy's Treasurer has ensured all grant expenditures are being charged directly to the grant fund. Additionally, the Academy has implemented a purchase process that requires authorization for all purchases, including grant purchases, which will allow for management to review the allowability of grant expenditures. The Board approved this process on August 19, 2009, with Resolution #19-08.12.

Finding Number	2008-005
CFDA Title and Number	National School Lunch Program - #10.555 Special Education Grants to States - #84.027 Title I Grants to Local Education Agencies - #84.010 State Grants for Innovative Programs - #84.298 Safe and Drug-Free Schools and Communities State Grants - #84.186 Improving Teacher Quality State Grants - #84.367 Education Technology State Grants - $84.318 Charter Schools Program – #84.282
Federal Award Number / Year	2007/2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency / Material Non-Compliance
Federal Awards Receipts and Expenditures Schedule

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

(1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Significant Deficiency / Material Non-Compliance
Federal Awards Receipts and Expenditures Schedule (Continued)

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
(4) Include notes that describe the significant accounting policies used in preparing the schedule.
(5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Section .320(a) of the Circular also requires the audit to be completed and the reporting package filed within the earlier of 30 days after the receipt of the auditor's report(s), or 9 months after the end of the audit period, (which, for the Academy is March 30) unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Academy utilizes separate funds for each federal grant and separate special cost centers for each year to track and readily identify the receipt and disbursement of all federal awards. However, during the preparation of the federal awards receipts and expenditures schedule, the Treasurer incorrectly matched federal expenditures to actual federal receipts, which resulted in modifications to the original schedule of federal awards expenditures for fiscal year 2008. These modifications to the federal expenditures originally reported included the following:

Grant	Expenditures Originally Reported	Expenditures after Adjustments
National School Lunch Program - #10.555	39,646	38,318
Special Education-Grants to States - #84.027	95,868	89,586
Title I Grants to Local Educational Agencies - #84.010	154,344	118,429
State Grants for Innovative Programs - #84.298	35	0
Safe and Drug-Free Schools and Communities-State Grants - #84.186	248	0
Improving Teacher Quality State Grants - #84.367	8,818	5,831
Education Technology State Grants - #84.318	1,474	1,450
Charter Schools - #84.282	255,000	300,000

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Significant Deficiency / Material Non-Compliance
Federal Awards Receipts and Expenditures Schedule (Continued)

The Academy has made these adjustments to the federal awards receipts and expenditures schedule.

Failure to identify federal awards and accurately prepare a federal awards expenditures schedule may result in noncompliance with the Circular and may compromise the Academy's ability to obtain federal awards in the future.

We recommend the Treasurer use actual federal expenditures instead of matching federal expenditures to federal receipts on the federal awards receipts and expenditures schedule to ensure accurate preparation of the federal awards receipts and expenditures schedule at fiscal year end.

Officials' Response and Corrective Action Plan:

Effective in fiscal year 2009, the Academy's Treasurer has ensured all federal expenditures are properly recorded in the federal grant funds to ensure accurate completion of the federal schedule.

Finding Number	2008-006
CFDA Title and Number	Charter Schools Program – #84.282
Federal Award Number / Year	2007/2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Non-Compliance / Material Weakness / Significant Deficiency
Fixed Asset Policy
Charter Schools Program - Federal Equipment and Real Property Management Requirement

2 C.F.R. Section 215.34(f)(1) states that equipment records shall be maintained accurately and shall include the following information:

i. A description of the equipment.
ii. Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
iii. Source of the equipment, including award number.
iv. Whether title vests in the recipient or the Federal Government.
v. Acquisition date and cost.
vi. Information from which one can calculate the percentage of Federal participation in the cost of the equipment.
vii. Location and condition of the equipment and the date the information was reported.
viii. Unit acquisition cost.
ix. Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Material Non-Compliance / Material Weakness / Significant Deficiency
Fixed Asset Policy
Charter Schools Program - Federal Equipment and Real Property Management Requirement (Continued)

Section 148.2 of the Board Policy Manual states information similar to that listed above shall be maintained for all fixed assets. This section further requires the Academy to conduct a physical inventory of its fixed assets no less frequently than every two years, and to develop a control system to safeguard against loss, damage, or theft of fixed assets. In order to prevent loss or theft of property, the policy requires all fixed assets to have an Academy fixed asset sticker.

During fiscal year 2008, the Academy had no procedures in place to track fixed (capital) assets. The Academy did not conduct an inventory of capital assets, nor did it maintain a capital asset listing. Failure to track capital assets could result in the theft or loss of property without management's detection and could also result in inaccurate financial reporting of the Academy's assets.

We recommend the Academy implement the capital asset policies and procedures established by the Board. This will ensure proper safeguarding over the Academy's assets, that asset records are produced in the form desired by management, and that amounts recorded on the Academy's financial statements are complete and accurate.

Officials' Response and Corrective Action Plan:

Effective in fiscal year 2009, the Academy's management has put a fixed asset process in place to track assets.

PREMIER ACADEMY OF OHIO
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Monthly Bank Reconciliations	Yes	
2007-002	Financial Reporting	No	Partially Corrected. Comment is being repeated in current audit management letter.
2007-003	Ohio Rev. Code 3314.022 - Contract for Special Education Services	Yes	

Mary Taylor, CPA
Auditor of State

PREMIER ACADEMY OF OHIO

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
DECEMBER 31, 2009

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