



Mary Taylor, CPA
Auditor of State

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

To the Board of Directors:

We have audited the accompanying basic financial statements of Mount Auburn International Academy, Hamilton County, Ohio (the School), 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 School'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 financial position of the Mount Auburn International Academy, Hamilton County, Ohio, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, the School has a working capital deficiency of \$1,501,958 and total negative net assets of \$1,499,500 as of June 30, 2009. Management's plans regarding these matters are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 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.

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

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

Mary Taylor, CPA
Auditor of State

February 25, 2010

Mount Auburn International Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Hamilton County
(Unaudited)

The discussion and analysis of the Mount Auburn International Academy Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the 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 Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased \$1,499,500 from the beginning of the year.
- Total assets increased \$ 387,352 from the beginning of the year. This was a result of the school being in its first year of operation.
- Liabilities increased \$ 1,886,852 from the beginning of the year. This is mainly due to unpaid fees to the management company.

Using this Financial Report

This report consists of three parts, the MD&A, 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.

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer 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.

Mount Auburn International Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Hamilton County
(Unaudited)

Table 1 provides a summary of the School's net assets for fiscal year 2009. The fiscal year ended June 30, 2009 was the first year of Mount Auburn International Academy operations, therefore we are not able to present comparative information.

(Table 1)
Net Assets

	2009
Assets	
Current Assets	\$ 384,894
Land	\$ -
Capital Assets, Net	\$ 2,458
Total Assets	\$ 387,352
Liabilities	
Current Liabilities	\$ 1,886,852
Non-Current Liabilities	\$ -
Total Liabilities	\$ 1,886,852
Net Assets	
Invested in Capital Assets	\$ 2,458
Unrestricted	\$(1,501,958)
Total Net Assets	\$(1,499,500)

Total assets increased \$387,352 from the beginning of the year. Increase is due to being a new school in its first year of operation. Liabilities increased \$ 1,886,852 from the beginning of the mainly due to unpaid fees to the management company. Capital Assets, net of depreciation increased by \$ 2,458.

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

Mount Auburn International Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Hamilton County
(Unaudited)

(Table 2)
Change in Net Assets

	2009
Operating Revenue	
Extracurricular and Lunchroom Sales	22,643
Foundation Payments	2,457,785
Poverty Based Assistance	422,254
Disadvantaged Pupil Impact Aid	0.00
Other	
Non-Operating Revenue	
Federal and State Grants	334,597
Interest	1,322
Federal and State Meal Subsidies	193,367
Total Revenue	3,431,968
Operating Expenses	
Salaries	1,966,394
Fringe Benefits	537,826
Purchased Services	1,389,087
Materials and Supplies	701,940
Cost of Sales-Lunchroom	187,520
Depreciation	342
Other Expenses	148,359
Total Expenses	4,931,468
Change in Net Assets	(\$1,499,500)
Net Assets Beginning of Year	0.00
Ending Net Assets	(\$1,499,500)

Community Schools receive no support from tax revenues.

Capital Assets

At the end of fiscal year 2009 the School had \$2,458 (net of depreciation), invested in furniture, fixtures, and equipment, which represented an increase of \$ 2,458 from 2008.

Mount Auburn International Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Hamilton County
(Unaudited)

Current Financial Issues

The Mount Auburn International Academy was formed in 2008. Hence 2008-2009 is the first year of operation. During the 2008-2009 school year there were approximately 432 students enrolled in the School. The School receives its finances mostly from state aide. Base per pupil aide for fiscal year 2009 amounted to \$5,732 per student. The school had a deficit of \$1,499,500 at June 30, 2009.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Ed Giese, Business Manager at Mount Auburn International Academy, 244 Southern Ave, Cincinnati, Ohio 45219.

Mount Auburn International Academy
Statement of Net Assets
June 30, 2009

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$220,841
Intergovernmental Receivables (operating activities)	140,418
Prepaid Items	23,635
Total Current Assets	<u>384,894</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	2,458
Total Non-Current Assets	<u>2,458</u>

<i>Total Assets</i>	<u>\$387,352</u>
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Liabilities

Current Liabilities:

Accounts Payable	96,180
Accrued Wages and Benefits	158,562
Management Company Payable	1,632,110
Total Current Liabilities	<u>1,886,852</u>

<i>Total Liabilities</i>	1,886,852
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Net Assets

Invested in Capital Assets:	2,458
Unrestricted-Accumulated Surplus/(Deficit)	(\$1,501,958)
	<u>(\$1,499,500)</u>

<i>Total Net Assets</i>	<u><u>(\$1,499,500)</u></u>
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See accompanying notes to the basic financial statements

Mount Auburn International Academy
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Operating Revenues	
Extracurricular and Lunchroom Sales	\$8,210
Foundation Payments	2,457,785
Poverty Based Assistance	422,254
Other Revenues	<u>14,433</u>
<i>Total Operating Revenues</i>	<u>2,902,682</u>
Operating Expenses	
Salaries	1,966,394
Fringe Benefits and Payroll Taxes	537,826
Purchased Services	1,389,088
Materials and Supplies	701,940
Cost of Sales - Lunchroom	187,520
Depreciation	341
Other	<u>148,359</u>
<i>Total Operating Expenses</i>	<u>4,931,468</u>
<i>Operating Loss</i>	<u>(2,028,786)</u>
Non-Operating Revenues and (Expenses)	
Other Federal and State Grants	334,597
Interest Income	1,322
Federal and State Meal Subsidies	<u>193,367</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>529,286</u>
<i>Net Assets Beginning of Year</i>	<u>0</u>
<i>Net Assets End of Year</i>	<u><u>(\$1,499,500)</u></u>

See accompanying notes to the basic financial statements

Mount Auburn International Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$8,210
Cash Received from Others	855,433
Cash Received from Foundation Payments	2,457,785
Cash Received from Poverty Based Assistance	422,254
Cash Payments to Suppliers for Goods and Services	(1,467,523)
Cash Payments to Employees for Services	(1,808,633)
Cash Payments for Employee Benefits	(484,394)
Cash Payments to Others	(148,359)
	<hr/>
Net Cash Used for Operating Activities	(165,227)
	<hr/>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	193,367
Operating Grants Received	194,179
	<hr/>
Net Cash Provided by Noncapital Financing Activities	387,546
	<hr/>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(2,800)
	<hr/>
Net Cash Used for Noncapital Financing Activities	(2,800)

Cash Flows from Investing Activities:

Other Non-Operating Revenues	1,322
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Net Increase (Decrease) in Cash and Cash Equivalents	220,841

Cash and Cash Equivalents at Beginning of Year	0
	<hr/>

Cash and Cash Equivalents at End of Year	\$220,841
	<hr/> <hr/>

(Continued)

Mount Auburn International Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009
(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$2,028,786)
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Adjustments to Reconcile Operating

Income to Net Cash Provided by Operating Activities

Depreciation	341
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Changes in Assets and Liabilities:

Decrease / (Increase) in Prepaid Items	(23,634)
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(Decrease) / Increase in Accounts Payable	96,180
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(Decrease) / Increase in Accrued Wages and Benefits	158,562
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(Decrease) / Increase in Management Company Payable	1,632,110
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Total Adjustments	1,863,559
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Net Cash Used for Operating Activities	(\$165,227)
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See accompanying notes to the basic financial statements

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Mount Auburn International Academy, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through ninth. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Mount Auburn International Academy Community School may apply and qualify as an exempt organization under Section 501c (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 school's tax exempt status.

The School was approved for operation under contract with the Board of Trustees of the University of Toledo which is now referred to as Ohio Council of Community Schools (the Sponsor) for a period of five years commencing July 30, 2008. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board of Directors 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 qualifications of teachers. The Board of Directors controls the School's one instructional/support facility staffed by 44 certificated full time teaching personnel who provide services to 432 students.

The School contracts with Cincinnati Education Management LLC as the Education Provider. The Education Provider is not a division, subsidiary, or part of the Board, and functions as an independent contractor to the Board. The responsibilities of the Education Provider include: hire the School Director, with consultation from the Board; hire administrative staff as required; manage and operate the school; secure and maintain insurance; and educate the children enrolled in the School. The Education Provider is responsible and accountable to the Board for the administration, operation and performance of the School in accordance with the Charter.

Under the current agreement, the Educational Provider is paid the following percentage of revenue as fees: license fees, 6%; management fees, 8%. Also, in the event of a year-end surplus, the Educational Provider is entitled to the entire surplus as allowable by Community School Law and other applicable laws.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mount Auburn International Academy Community School 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 School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis Of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. The School uses enterprise accounting to monitor its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the 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 School'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 School 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Unlike other 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 contract between the School and its sponsor. The contract between the School and its Sponsor requires the school to follow Ohio Revised Code 5705.39.1 and prepare a five year projection. However, no budgetary information is presented in the financial statements.

E. Cash Deposits

All monies received by the School are accounted for by the School's Business Manager. For cash management, all cash received by the chief financial officer is pooled in a central bank account. Total cash for the School is presented as "equity in pooled cash" on the accompanying statement of net assets.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All asset purchases will be made according to the CEM purchasing policy guidelines. Assets in excess of \$500 will be depreciated over their useful life. Asset purchases under \$500 and software purchases will be expensed. Disposition (such as sale, loan, or gift) of property valued above \$500 will require the approval of the Director. Items purchased in the first six months of the fiscal year will be depreciated on a full year's basis. Items purchased in the last six months of the fiscal year will record zero depreciation, and have a full year's depreciation on the subsequent fiscal years. All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Building Improvements 1 - 50 years, Classroom and Office Furniture and Equipment 7 years, Computer Equipment 3 years, Building Security Equipment 4 years and Vehicles 3 - 10 years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, consists of capital assets, net of accumulated depreciation.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses

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

I. 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.

3. DEPOSITS

At fiscal year end, the bank balance was \$220,841. Of the bank balance, \$220,841 was covered by federal depository insurance.

Interest Rate Risk: The School has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School, and that an investment must be purchased with the expectation that it will be held to maturity.

4. RECEIVABLES

Receivables at June 30, 2009, consisted of inter-governmental receivables. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

Federal Entitlement Grants 140,418.13

Total All Intergovernmental Receivables \$ 140,418.13

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

5. CAPITAL ASSETS

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

	Balance 06/30/08	Additions	Deletions	Balance 6/30/09
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	0	2,799	0	2,799
Total Capital Assets				
Being Depreciated	0	2,799	0	2,799
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	0	(341)	0	(341)
Vehicles	0	0	0	0
Total Accumulated Depreciation	0	(341)	0	(341)
Total Capital Assets				
Being Depreciated, Net	0	2,458	0	2,458
Business-Type Activity				
Capital Assets, Net	\$0	\$2,458	\$0	\$2,458

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School contracted with St. Paul Travelers for general liability and property insurance and National Union for educational errors and omissions insurance. Settled claims have not exceeded this commercial coverage since formation of School.

B. Workers Compensation

The School 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 that is calculated by the State.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 or by calling (800) 878-5853 or by visiting the web SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent 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 death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the health care and medicare b funds. The School's contribution to SERS for the year ended June 30, 2009 were \$85,511.30 which equaled the required contribution.

B. State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of a monthly premium.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

STRS Ohio issues a stand -alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting, www.strsohio.org or by requesting a copy by calling toll-free 1-800-227-7877.

Funding Policy

Under Ohio law, funding for the post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009 was \$ 173,058.41. 100 percent has been contributed for fiscal year 2009. Contributions to the DC and combined plans for fiscal year 2009 were \$123,613.05 made by the plan members.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2009, employer contributions to fund health care benefits were 4.16 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

For fiscal year 2009, the minimum pay was established at \$35,800. However the surcharge is capped at two percent of each employers SERS salaries. For the district, the amount contributed to fund health care benefits, including the surcharge during the 2009 fiscal year equaled \$0.00. The target level for the health care reserve is 150 percent of the annual health care expenses. The most recent disclosure from SERS is on their website as of June 30, 2008.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

8. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Directors.

Vacation Leave: Calendar year employees who are regularly scheduled to work 25 or more hours per week are eligible for vacation leave. Teachers or employees following the academic year calendar are not eligible for vacation leave. Unused accrued vacation leave days may be carried forward into the next year at the rate of one-half of the employee's annual accrual rate. The vacation carried forward is determined as of August 31 each year.

Employees who have one year of service or more have access to 50% of their annual vacation accrual at September 1.

If an employee's employment terminates, only the days fully earned at the time of termination would be accrued. No cash out of vacation accrued from year to year unless specifically granted through approval by the President. Accrued vacation leave in excess of amount allowed to be carried forward at

September 1 is lost. Upon resignation and receipt of at least two weeks' notice, the Employer will pay in a lump sum payment an amount equal to the individual's daily rate times the number of unused accrued vacation leave days as of the termination date.

Sick Leave: All staff regularly scheduled to work 25 or more hours per week are eligible for sick leave. Teachers and academic year staff accrue one day per month September through May (up to 9 days accrued in an academic year). Calendar year staff accrues one day per month. Maximum days that can be accrued are 120 days. Accrual ceases until balance falls below maximum days. Sick leave is a privilege and is not to be used for any purposes other than those identified in the sick leave policy. Sick leave is never converted into cash payments.

B. Insurance Benefits

The School provides life, dental and medical/surgical benefits to most employees through Anthem Blue Cross/Blue Shield, Delta Dental and Sun Life.

9. CONTINGENCIES

A. Grants

The School 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 grants agreement, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2009.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

9. CONTINGENCIES (Continued)

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated.

10. NET WORKING CAPITAL DEFICIENCY

At June 30, 2009 the School has a working capital deficiency of \$1,501,958 and total negative net assets of \$1,499,500. Management feels that much of this deficiency is the result of lower student enrollment than anticipated. Management is constantly looking at ways to increase enrollment. The School visits neighborhood grocery stores and sets up tables to promote the School and its activities. The current enrollment is 574 students. This is an increase of approximately 100 students over the close of school in June 2009. Consequently, with the increased enrollment, the financial outlook for the school is improving. The School is in the budgeting process for the 2010-2011 school year and expecting an increase in student count to 674 students.

11. PURCHASED SERVICES

Purchased services were composed of the following:

Utilities \$166,093.87
Rents 400,000
Advertising 31,737.23
Sponsor Oversight Fees 86,400.69
Contract Services 501,265.84
Royalty Fees 167,618.34
Management Fees 223,491.03

Total: \$1,576,607

The above total also includes Lunchroom Cost of Sales in the amount of \$187,520.

12. OPERATING LEASE

During the year ended June 30, 2009, the School leased classroom facilities and offices for a period of five years. The lease also grants the School an automatic 5 year renewal, upon the renewal of the School's charter. The lease payments are \$ 33,333.33 a month payable in monthly installments. Payments totaled \$ 400,000 for fiscal year 2009.

The following is a schedule of the future minimum lease payments required under the operating lease as of June 30, 2009.

**Mount Auburn International Academy
Hamilton County**

**Notes to the Financial Statements
For the Fiscal Year End June 30, 2009
(Continued)**

12. OPERATING LEASE (Continued)

Fiscal Year Ending June 30, 2009

2010	\$ 500,000
2011	\$ 500,000
2012	\$ 550,000
2013	\$ 550,000

13. MANAGEMENT COMPANY PAYABLE

Management Company Payable at June 30, 2009, consisted of:

License fee s	\$167,618
Management fees	\$223,491
Facility lease	\$400,000
Advance	<u>\$841,000</u>
Total Management Company	\$ 1,632,109

The management company advanced the school funds, in the form of a promissory note, for the operation of the school during the 08-09 school year. The promissory note has a term of one year and is considered a current liability.



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*

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

To the Board of Directors:

We have audited the financial statements of Mount Auburn International Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009 wherein we noted the School has a working capital deficiency of \$1,501,958 and total negative net assets of \$1,499,500 as of June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School'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 School'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 School's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School's management in a separate letter dated February 25, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the School'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, and the Community School's sponsor. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 25, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mount Auburn International Academy
Hamilton County
244 Southern Avenue
Cincinnati, Ohio 45219

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 Mount Auburn International Academy (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 adopted an anti-harassment policy at its meeting on September 9, 2009.
2. We read the policy and it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) The policy did not contain a statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) The policy did not contain definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) The policy did not outline a procedure for reporting prohibited incidents;
 - (4) The policy did not contain 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) The policy did not contain a requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) The policy did not outline a procedure for documenting any prohibited incident that is reported;

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- (7) The policy did not document a strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (8) The policy did not outline 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;
- (9) The policy did not have a requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

February 25, 2010



Mary Taylor, CPA
Auditor of State

**MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON 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
MARCH 25, 2010**