SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Directors
Springfield Academy of Excellence
623 Center Street
Springfield, Ohio 45506

We have reviewed the *Report of independent Accountants* of the Springfield Academy of Excellence, Clark County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Springfield Academy of Excellence is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 11, 2010

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SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY
For the Year Ending June 30, 2009

TABLE OF CONTENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

Springfield Academy of Excellence
Clark County
623 S. Center St.
Springfield, Ohio 45506

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Springfield Academy of Excellence (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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2009 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
December 23, 2009

The discussion and analysis of Springfield Academy of Excellence (the Academy)'s financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

► Total net assets increased $25,317 in the fiscal year 2009 from fiscal year 2008. This increase is due to the excess revenue over expenditures for the year ended June 30, 2009.

► Total assets decreased $7,575 from the prior year, due primarily to an increase in cash and intergovernmental receivables offset by the current year accumulated depreciation.

► The operating loss reported for fiscal year 2009 was less than the operating loss reported for fiscal year 2008. The primary factor attributing to the decrease in the operating loss for fiscal year 2009 is the increase in Foundation Payments received from the State of Ohio.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2009. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs, and other factors.

The School uses enterprise presentation for all of its activities.

Table 1 provides a summary of the Academy's net assets for fiscal year 2009 compared with fiscal year 2008.

Table 1
Net Assets

	2009	**2008**
Assets		
Current and other assets	$ 125,905	$ 68,375
Capital assets, net	560,649	625,754
Total Assets	686,554	694,129
Liabilities		
Current liabilities	142,461	162,031
Non-current liabilities	343,980	357,302
Total Liabilities	486,441	519,333
Net Assets:		
Invested in capital assets (net of related debt)	203,339	256,109
Unrestricted	(3,226)	(81,313)
Total Net Assets	$ 200,113	$174,796

Total liabilities of the Academy decreased $32,892 at June 30, 2009 compared with the same time a year prior. This decrease is due primarily to a decrease in current payables and a decrease in scheduled debt service requirements.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, as well as revenue and expense comparisons to fiscal year 2008.

Table 2
Change in Net Assets

	2009	**2008**
Operating Revenues:		
Foundation Payments	$1,367,564	$1,133,433
Parity Aid	141,018	108,654
Other Operating Revenues	204,831	145,398
Non Operating Revenues:		
State and Federal Grant Revenue	224,665	230,261
Gifts and Donations	-	12,200
Interest Earnings	245	813
Total Revenues	1,938,323	1,630,759
Operating Expenses:		
Salaries	995,831	897,608
Fringe Benefits	275,479	287,104
Contract Management/fiscal	63,381	50,084
Lease Payments	137,028	71,510
Other Purchased Services	172,221	154,487
Materials and Supplies	166,671	128,904
Depreciation	72,705	73,292
Non Operating Expenses:		
Interest and fiscal charges	29,6900	28,720
Total Expenses	1,913,006	1,691,709
Change in Net Assets	25,317	(60,950)
Net Assets, Beginning of Year	174,796	235,746
Net Assets, End of Year	$ 200,113	$ 174,796

Total revenue received by the Academy in fiscal year 2009 increased $307,564 compared with fiscal year 2008. As shown on Table 2 above, there was an increase in state foundation payments and parity aid due to increased student enrollment. There was also a increase in other operating revenue and funding from state and federal grants from 2009 to 2008.

Total expenses for fiscal year 2009 increased by $221,297 compared with total expense reported for the prior fiscal year. Salaries, fringe benefits for employees, lease payments, other purchased services and materials and supplies were the main components of the increase.

Capital Assets

At June 30, 2009 the capital assets of the Academy totaled $932,119 with accumulated depreciation being $371,470. A break down of the Academy's capital assets is presented below.

Table 3
Capital Assets, Net of Depreciation

	2009	2008
Buildings	$ 445,421	$ 458,692
Leasehold Improvements	88,141	132,212
Equipment	27,087	34,850
Total	$ 560,649	$ 625,754

During the year, the Academy purchased $7,600 of equipment. Fiscal year 2009 depreciation expense totaled $72,705 compared with $73,292 reported in fiscal year 2008 (See Note 5).

Debt

At June 30, 2009, the debt obligation of the Academy consisted solely of the construction loan obtained to provide financing for the construction of the new school building. The original principal of the loan was $409,998. At June 30, 2009 the outstanding principal balance was $357,300 with $13,320 becoming due in fiscal year 2010. The Academy made total principal payments of $12,335 during the fiscal year 2009. See Note 7 of the notes to the basic financial statements for additional information on the Academy's debt obligations.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Springfield Academy of Excellence, Inc. and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Springfield Academy of Excellence
623 South Center Street
Springfield, Ohio 45506

SPRINGFIELD ACADEMY OF EXCELLENCE
STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current Assets:	
Cash	$ 47,122
Intergovernmental Receivable	72,329
Total Current Assets	119,451
Noncurrent Assets:	
Security Deposit	6,454
Capital Assets (Net of Accumulated Depreciation)	560,649
Total Noncurrent Assets	567,103
Total Assets	$686,554
Liabilities:	
Current Liabilities:	
Accounts Payable	$ 18,205
Accrued Wages Payable	110,926
Notes Payable, Due within One Year	13,320
Total Current Liabilities	142,451
Noncurrent Liabilities:	
Notes Payable, Due Within More than One Year	343,990
Total Liabilities	$486,441
Net Assets:	
Invested in Capital Assets, Net of Related Debt	203,339
Unrestricted	(3,226)
Total Net Assets	$200,113

See accompanying notes to the basic financial statements.

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

Operating Revenues:	
Foundation Payments	$1,367,564
Parity Aid	141,018
Charges for services	126,436
Other Operating Revenue	78,395
Total Operating Revenues	1,713,413
Operating Expenses:	
Salaries	995,831
Fringe Benefits	275,479
Contractual Management & Fiscal Fees	63,381
Lease Payments	137,028
Purchased Services	172,221
Materials and Supplies	166,671
Depreciation	72,705
Total Operating Expenses	1,883,316
Operating Loss	(169,903)
Non-Operating Revenues and (Expenses):	
State and Federal Grant Revenue	224,665
Interest Earnings	245
Interest and Fiscal Charges	(29,690)
Total Non-Operating Revenues	195,220
Changes in Net Assets	25,317
Net Assets at Beginning of Year	174,796
Net Assets at End of Year	$ 200,113

See accompanying notes to basic financial statements

SPRINGFIELD ACADEMY OF EXCELLENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash from State of Ohio	$ 1,508,582
Cash from Customers	126,436
Cash Payments to Suppliers for Goods and Services	(578,344)
Cash Payments to Employees for Services and Benefits	(1,252,804)
Other Operating Revenue	78,395
Net Cash Used in Operating Activities	(117,735)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	196,817
Net Cash Provided by Noncapital Financing Activities	196,817
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Notes	(12,335)
Capital Assets Purchased	(7,600)
Interest Paid on Notes	(29,710)
Net Cash Used in Capital and Related Financing Activities	(49,645)
Cash Flows from Investing Activities:	
Interest on Investments	245
Net Cash Provided by Investing Activities	245
Net Decrease in Cash and Cash Equivalents	29,682
Cash and Cash Equivalents, Beginning of Year	17,440
Cash and Cash Equivalents, End of Year	$ 47,122

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	$ (169,903)
Adjustments to Reconcile Operating Loss to Net Cash used in Operating Activities:	
Depreciation	72,705
Changes in Assets and Liabilities:	
Increase in Accrued Wages Payable	12,463
Decrease in Accounts Payable	(28,015)
Decrease in Accrued Expenses	(4,985)
	52,168
Net Cash Used in Operating Activities	$ (117,735)

See accompanying notes to basic financial statements

1. Description of the Academy and Reporting Entity:

Springfield Academy of Excellence, Inc. (the Academy) is a state non-profit corporation established pursuant to the Ohio Rev. Code Chapters 3314 and 1702. The Academy's objective is to provide education in a nurturing environment that focuses on the development of the whole child. Emphasis is placed on academic achievement as well as physical, psychological, social, and ethical development. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

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

The Academy operates under the direction of a governing board of at least seven members. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 18 non-certified and 16 certified full-time teaching personnel.

2. Summary of Significant Accounting Policies:

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental non-profit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they 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.

2. Summary of Significant Accounting Policies (continued):

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

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 Revenues, Expenses, and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes.

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. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

2. Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. The Academy had no investments at June 30, 2009.

E. Capital Assets and Depreciation

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 value as of the date donated. The Academy maintains a capitalization threshold of $500. The Academy has a school building which was constructed during the FY 05 school year.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of leasehold improvements, equipment, and buildings is computed using the straight-line method over estimated useful lives of seven, five, and forty years, respectively. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Parity Aid (DPIA) Program. Revenue received from these programs is recognized as operating revenue. These programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met. Amounts awarded under the above programs for the 2009 school year totaled $1,508,582. Federal and state grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grant have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Accounts Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses for goods and services received but unpaid as of June 30, 2009.

2. Summary of Significant Accounting Policies (continued)

H. Wages Payable

Wages payable represent salary payments made after year-end that were for services rendered in fiscal year 2009. Teaching personnel are paid in 24 equal installments, ending with the last pay period in July, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2009 for all salary payment made to teaching personnel during the month of July 2009.

I. Security Deposits

The Academy entered into several leases for the use of the building for the administration of the Academy, computer equipment, and a phone system, for which security deposits were paid at the signing of the agreement. These amounts are held by the respective leasor/vendor.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary activities. For the Academy, operating revenues include foundation payments and disadvantaged pupil impact aid received from the State of Ohio and charges for services. Operating expenses are necessary costs incurred to support the Academy's primary activities, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary activities. Various state and federal grants, as well as interest revenue and expense comprise the non-operating revenues and expenses of the Academy.

L. 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 these estimates.

3. Cash Deposits:

At June 30, 2009, the carrying amount of the Academy's deposits was $47,122 and the bank balance was $86,639, all of which was covered by the Federal Deposit Insurance Corporation (FDIC).

4. Intergovernmental Receivables:

Receivables at June 30, 2009, consisted of intergovernmental grants from the Federal and State and local governmental sources, which is considered to be collectible in full and included the following principal components:

Grant Program	
Title I Grant	$22,962
Food Service Reimbursement	6,038
Title II-A Innovative Grant	4,809
Title II-D Technology	3
Title I School Improvement	27,574
Special Ed. IDEA-B	8,133
TANF, After School	2,810
Intergovernmental Receivable	$ 72,329

5. Capital Assets:

A summary of the Academy's capital assets at June 30, 2009 follows:

	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**
Capital Assets:				
Buildings	$ 498,505	$ -	$ -	$ 498,505
Leasehold Improvements	308,495	-	-	308,495
Equipment	117,519	7,600	-	125,119
Total Assets	$ 924,519	$ 7,600	$ -	$ 932,119
Depreciation:				
Buildings	$ (39,813)	$ (13,271)	$ -	$ (53,084)
Leasehold Improvement	(176,283)	(44,071)	-	(220,354)
Equipment	(82,669)	(15,363)	-	(98,032)
Accumulated Depreciation	$ (298,765)	$ (72,705)	$ -	$(371,470)
Net Capital Assets	$ 625,754	$ 65,105	$ -	$ 560,649

6. Risk Management:

Property and Liability – The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the Academy contracted with Cincinnati Insurance Co. for property, general liability, auto, and excess liability insurance. Property is covered for $237,900 and contents are insured for $343,900. There is a deductible of $250 and property and contents are 90% co-insured. Commercial general liability covers each single occurrence for $1 million with a $2 million general aggregate limit. The excess liability is covered for $1 million for each occurrence and $1 million in the aggregate.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

Worker's Compensation – The Academy pays the State Worker's Compensation System a premium for employee injury by the State.

Employee Insurance Benefits – The Academy has contracted through an independent agent to provide employee medical insurance to its full-time employees who work 25 or more hours per week.

7. Notes Payable:

The activity of the Academy's promissory notes payable is summarized as follows:

Obligation	Beginning Balance	Principal Payments	Ending Balance	Amount Due in One Year
Construction loan – Huntington National Bank at 7.64%	$ 369,645	$ 12,335	$357,310	$ 13,320
	$ 369,645	$ 12,335	$357,310	$ 13,320

The Academy entered into a construction loan with Huntington National Bank for the construction of a new school building. The total amount of the loan was set at $409,998. The interest rate was set at Prime plus one (1%). For the fiscal year 2009 the interest rate was 7.64%. The loan was guaranteed in full by the Church of Jesus, Inc. through a third mortgage secured on a real property located at 623 South Center Street, Springfield, Ohio. In addition, the Ohio School Facilities Commission has guaranteed 85% of the project for the first 15 years of the loan.

7. Notes Payable (continued):

Future principal obligations of the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2010	$ 13,320	$ 26,838
2011	14,274	25,784
2012	15,511	24,646
2013	16,739	23,419
2014	18,059	22,099
2015-2019	109,573	91,217
2020-2024	158,334	42,456
2025	11,500	877
Total	$ 357,310	$257,336

8. Defined Benefit 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 the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09% 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% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $25,906, $34,968 and $35,757, respectively; 100% has been contributed for each of the fiscal years.

8. Defined Benefit Pension Plans (continued):

B. <u>State Teachers Retirement System</u>

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times percentage that varies based on years of service, or an allowance based on member 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% 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 DB 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 services who become 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 amount balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

8. Defined Benefit Pension Plans (continued):

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were $105,770, $96,648, and $116,046 respectively; 100% has been contributed for each of the fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or SERS/STRS Ohio. The Academy's liability is 6.2% of wages paid. No employees have elected to participate in Social Security.

9. Post-Employment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.18 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 2009, the 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.

9. Post-Employment Benefits (continued):

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

10. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the review could result in state funding being adjusted. The Ohio Department of Education completed its review of the Academy's enrollment data for fiscal year 2009, which did not result in any material adjustments to the funding received.

C. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al. Case #3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provision of the Ohio Community Schools Act, O.R.C. Section 3314, violates both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools in Ohio. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

11. Operating Leases:

The Academy is leasing the use of land, office and classroom space, and various pieces of equipment through operating leases with the Church of Jesus Family Worship Center (the Church), the Precious Gifts Day Care Center (the Day Care Center) and Modular Designs. Lease obligations paid to the Church for fiscal year 2009 totaled $36,000. Lease obligations to the Day Care Center totaled $39,228 in fiscal year 2009. Lease obligations paid to Modular Designs totaled $61,800.

Individual lease obligations include:

- A ninety-nine year lease between the Church and the Academy which stipulates the Academy will be permitted to use Church grounds for an annual fee of one dollar for construction of the new school building. For fiscal year 2009, the lease was forgiven by the Church. Lease payments are expected to remain the same for the remaining term of the lease.

- An agreement with Modular Designs for 12 double-unit modular systems. This lease is renewable annually. During fiscal year 2009, the Academy paid $5,150 per month for a total of $61,800 to Modular Designs related to this lease. Lease payments are expected to remain the same for subsequent periods of this lease.

- A lease of the Annex and other building space from the Church, beginning October 1, 2001 through July 1, 2009 in the amount of $3,000 per month. This lease is renewable annually. During fiscal year 2009, the Academy paid $36,000 related to this lease agreement.

- The Academy leases food storage space and freezer space and certain equipment from the Day Care Center. This lease is renewable annually. Lease obligations related to these items totaled $39,228 during the fiscal year 2009. Lease payments are expected to remain the same for the remaining term of the leases.

12. Related Parties:

During the fiscal year ended June 30, 2009, the Academy made payments on several lease agreements with the Day Care Center and the Church, which are affiliated with the Director and a Trustee of the Academy. The Director is the operator of the Day Care Center and the Trustee is the Pastor of the Church. Lease expenses recognized and paid to the Day Care Center were $36,000 and lease expenses recognized and paid to the Church were $39,228 for the fiscal year ended June 30, 2009.

13. Purchased Services:

During the fiscal year ended June 30, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Professional and technical services	$ 76,545
Property services	4,465
Communications	18,408
Utilities	36,151
Transportation	27,359
Other	9,293
Total	$172,221

14. Sponsorship Agreement:

Effective July 1, 2006, the School entered into a five-year agreement with the Fordham Foundation to serve as its Sponsor. Sponsorship fees paid in the amount of $ 22,125 are reflected as "Purchased Services" in the Statement of Revenue, Expenses, and Change in Net Assets.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Springfield Academy of Excellence
Clark County
623 S. Center St.
Springfield, Ohio 45506

To the Board of Trustees:

We have audited the financial statements of the Springfield Academy of Excellence (the "School") as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued a report thereon dated December 23, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
December 23, 2009

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2008, reported no material citations or recommendations.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Springfield Academy of Excellence
Clark County
623 S. Center St.
Springfield, Ohio 45506

To the Board of Directors:

Ohio Revised 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 Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Springfield Academy of Excellence has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The 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 purpose.

1. We noted that the Board adopted an anti-harassment policy at its meeting on May 16, 2007.

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

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

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

   (3) A procedure for reporting prohibited incidents;

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

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

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

(7) A procedure for responding to and investigating any report incidents;

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

(9) A disciplinary procedure from 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;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report 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 is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
December 23, 2009

SPRINGFIELD ACADEMY OF EXCELLENCE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 25, 2010