

Dave Yost • Auditor of State

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Academic Acceleration Academy
Franklin County
1990 Jefferson Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the accompanying basic financial statements of the Academic Acceleration Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academic Acceleration Academy, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 18, 2011

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
*Unaudited***

The management's discussion and analysis of the Academic Acceleration Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, the net assets decreased \$32,358 from fiscal year 2009.
- The Academy had operating revenues of \$850,766 and operating expenses of \$1,143,295 during fiscal year 2010. The Academy also received \$251,144 in federal, state and local grants and \$9,027 in interest during fiscal year 2010.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-17 of this report.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

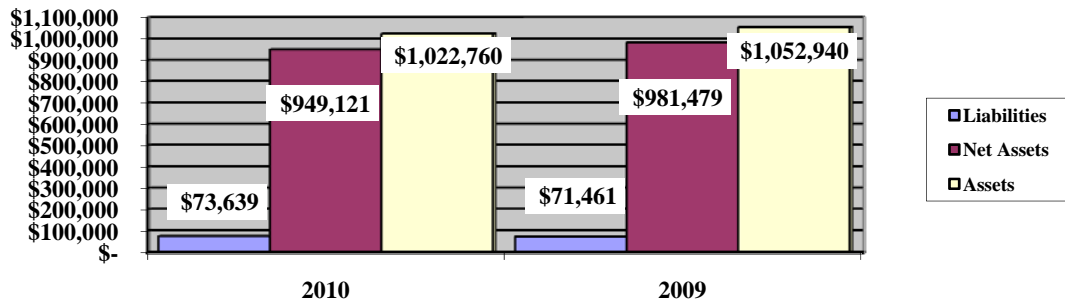
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
*Unaudited***

The table below provides a summary of the Academy's net assets at June 30, 2010 and June 30, 2009.

	Net Assets	
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets	\$ 923,813	\$ 738,690
Capital assets, net	<u>98,947</u>	<u>157,125</u>
Total assets	<u>1,022,760</u>	<u>895,815</u>
<u>Liabilities</u>		
Current liabilities	<u>73,639</u>	<u>71,461</u>
Total liabilities	<u>73,639</u>	<u>71,461</u>
<u>Net Assets</u>		
Invested in capital assets	98,947	157,125
Restricted	127,303	11,469
Unrestricted	<u>722,871</u>	<u>812,885</u>
Total net assets	<u>\$ 949,121</u>	<u>\$ 981,479</u>

The chart below illustrates the Academy's assets, liabilities and net assets at June 30, 2010 and June 30, 2009.

Governmental Activities



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's assets exceeded liabilities by \$949,121. Of this total, \$722,871 is unrestricted.

At year-end, capital assets represented 9.67% of total assets. Capital assets consisted of computers and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

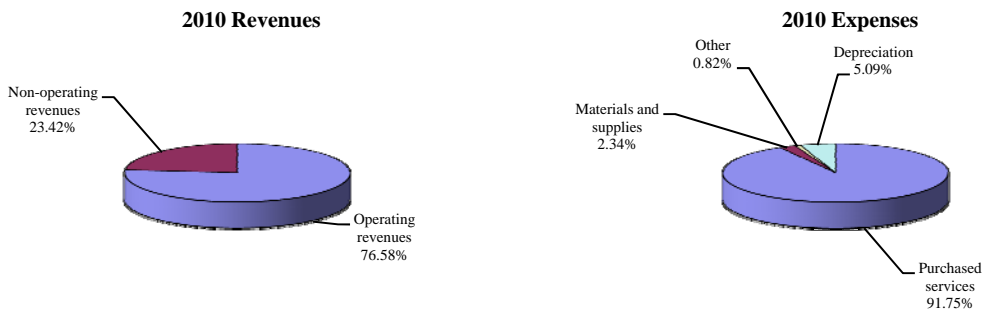
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
*Unaudited***

The table below shows the changes in net assets for the fiscal year 2010 and fiscal year 2009.

Change in Net Assets

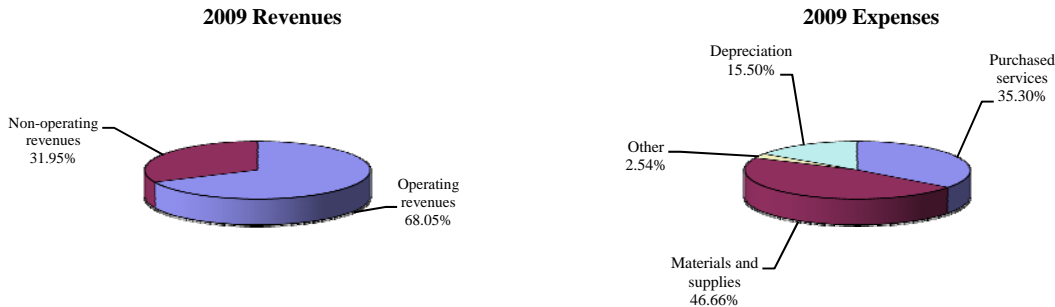
	<u>2010</u>	<u>2009</u>
<u>Operating Revenues:</u>		
State foundation	\$ 807,965	\$ 1,082,863
Charges for services	4,060	-
Other revenues	<u>38,741</u>	<u>19,468</u>
Total operating revenue	<u>850,766</u>	<u>1,102,331</u>
<u>Operating Expenses:</u>		
Purchased services	1,048,943	1,000,642
Materials and supplies	26,762	133,055
Other	9,412	7,242
Depreciation	<u>58,178</u>	<u>44,191</u>
Total operating expenses	<u>1,143,295</u>	<u>1,185,130</u>
<u>Non-operating revenues:</u>		
Federal, state and local grants	251,144	505,408
Interest income	<u>9,027</u>	<u>12,099</u>
Total non-operating revenues	<u>260,171</u>	<u>517,507</u>
Change in net assets	(32,358)	434,708
Net assets at the beginning of the year	<u>981,479</u>	<u>546,771</u>
Net assets at the end of the year	<u>\$ 949,121</u>	<u>\$ 981,479</u>

The charts below illustrate the revenues and expenses for the Academy for fiscal year 2010 and 2009.



**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
*Unaudited***



The decrease in operating revenues of \$251,565 was mainly due to a decrease in state foundation receipts related to a change in enrollment calculations. The decrease in non-operating revenues of \$257,336 was due to a one time federal grant ending. Community schools receive no support from tax revenues.

The decrease in materials and supplies expenditures of \$106,293 was due to expenditures of grant funding made in fiscal year 2009; there was no such grant funding in fiscal year 2010.

Capital Assets

At June 30, 2010, the Academy had \$98,947 invested in computers and equipment. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Computers and equipment	<u>\$ 98,947</u>	<u>\$ 157,125</u>

Current Financial Related Activities

The Academy is sponsored by the Columbus Public School District. The Academy relies primarily on State Foundation funds and federal and state operating grants.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Arlene Wilson, Treasurer, Charter School Specialists, 40 Hill Road South, Pickerington, OH 43147.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Assets:

Current assets:

Cash and cash equivalents	\$	615,082
Investments		191,028
Receivables:		
Accrued interest.		254
Intergovernmental.		116,471
Prepayments		978
		923,813
Total current assets		923,813

Non-current assets:

Depreciable capital assets, net		98,947
		98,947
Total assets.		1,022,760

Liabilities:

Accounts payable.		13,007
Intergovernmental payable		60,632
		73,639
Total liabilities		73,639

Net assets:

Invested in capital assets		98,947
Restricted for:		
Locally funded programs		293
State funded programs		7,000
Federally funded programs		120,010
Unrestricted.		722,871
		722,871
Total net assets	\$	949,121

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Operating revenues:	
State foundation	\$ 807,965
Sales/charges for services.	4,060
Other revenues	38,741
Total operating revenues	<u>850,766</u>
Operating expenses:	
Purchased services.	1,048,943
Materials and supplies	26,762
Other operating expenses	9,412
Depreciation	58,178
Total operating expenses.	<u>1,143,295</u>
Operating loss	<u>(292,529)</u>
Non-operating revenues:	
Federal, state and local grants	251,144
Interest income	9,027
Total nonoperating revenues	<u>260,171</u>
Change in net assets.	(32,358)
Net assets at beginning of year	<u>981,479</u>
Net assets at end of year.	<u><u>\$ 949,121</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The Academic Acceleration Academy (the "Academy") is a nonprofit corporation established by Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Columbus City Schools (the "Sponsor"). The Academy is designed to serve high school students who are over-aged for their grade placement for participation in an intensive program to accelerate graduation from high school and transition to an appropriate post secondary placement. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Academy may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was certified by the State of Ohio Secretary of State as a non-profit organization on March 7, 2006. The Academy was approved for operation under a contract with the Sponsor for five years commencing July 1, 2006 and continuing through June 30, 2011. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. Charter School Specialists, LLC ("CSS") serves as the fiscal agent for the Academy (See Note 8). The Academy served 175 students during fiscal year 2010 and was the 758th largest by enrollment among the 905 public school districts and community schools in the State.

The Academy operates under the direction of a seven-member Board of Directors which consists of individuals who represent the interests of the parents served by the Academy.

The Sponsor, under a purchased services basis with the Academy, provides planning, instructional, administrative and technical services. Certified personnel providing services to the Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions (See Note 8).

During fiscal year 2010, the Academy had a personnel agreement with the Charter School Specialists, LLC ("CSS"). Under this agreement, non-certificated personnel providing services to the Academy on behalf of CSS under the purchased service basis are considered employees of CSS, and CSS is solely responsible for all payroll functions (See Note 8).

Reporting Entity:

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

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

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY (Continued)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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 costs (expenses) 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.

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. Statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. 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 Section 5705, unless specifically provided in the Academy's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts and spending plans. The contract between the Academy 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 Revised Code Section 5705.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

D. Cash and Investments

Cash received by the Academy is maintained in demand deposit accounts.

During fiscal year 2010, investments were limited to investments in non-negotiable certificates of deposit. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Capital Assets and Depreciation

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

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment consists of computers and equipment is depreciated from three to ten years.

F. 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, American Recovery and Reinvestment Act (ARRA) grants, IDEA VI-B grant, Title I grant, Drug free school grant, Title II-D, EMIS grant, Public Charter Schools grant and the America's Promise Alliance grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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. Federal, State and local grant revenue for fiscal year 2010 was \$251,144.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

H. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2010. These expenses are reported as accrued liabilities in the accompanying financial statements.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net assets. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

K. Estimates

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

L. Economic Dependency

The Academy receives approximately 98% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

NOTE 4 - CASH AND CASH EQUIVALENTS

Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all Academy deposits was \$806,110. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, all of the Academy’s bank balance of \$874,935 was covered by the Federal Deposit Insurance Corporation.

NOTE 5 - RECEIVABLES

At June 30, 2010, receivables consisted of accrued interest receivable and intergovernmental receivables. The receivables are expected to be collected in full within one year. A summary of the receivables follows:

	Amount
Intergovernmental receivables:	
Title I	\$ 750
Title I ARRA	5,005
IDEA Part-B ARRA	80,716
School improvement ARRA	30,000
Total intergovernmental receivables	116,471
 Accrued interest receivable	 254
	\$ 116,725

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance <u>6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2010</u>
Equipment	\$ 234,589	\$ -	\$ -	\$ 234,589
Less: accumulated depreciation	<u>(77,464)</u>	<u>(58,178)</u>	<u>-</u>	<u>(135,642)</u>
Net capital assets	<u>\$ 157,125</u>	<u>\$ (58,178)</u>	<u>\$ -</u>	<u>\$ 98,947</u>

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	\$ 940,160
Property services	12,458
Travel milage/meetings	3,534
Communications	22,275
Utilities	18,706
Other purchased services	51,810
Total	<u>\$ 1,048,943</u>

NOTE 8 - SERVICE AGREEMENTS

A. Charter School Specialists, LLC

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of fourteen months commencing August 1, 2008, to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services. The School paid CSS \$33,807 in service fees for fiscal year 2010.

B. Columbus City School District

The Community School Sponsorship Contract between the Academy and Columbus City Schools (the "Sponsor") outlined the specific payments to be made by the Academy to the Sponsor during fiscal year 2010

Under the Community School Sponsorship Contract, the Academy agrees to pay the following:

1. The Academy shall annually pay to the Sponsor from the funding provided by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code, 3% of the receipts calculated against the state foundation formula. The schedule for such payments shall be as mutually agreed by the parties, and the amount of such payments may be varied by mutual agreement parties.
2. In the event that the Sponsor provides special education and related services required by a student's IEP, the Academy shall pay to the Sponsor the funds received by the Academy from the Department of Education.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 8 - SERVICE AGREEMENTS – (Continued)

3. The Academy shall pay the Sponsor such other amounts as are mutually agreed, including fees for any services provided to the Academy by the Sponsor.
4. Upon the dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

During the fiscal year ended June 30, 2010, the Academy made payments of \$389,103 to the Sponsor, which includes the 3 percent fee plus the Academy's reimbursement for payroll and benefit expenditures of certificated personnel.

Furthermore, the Academy and Sponsor have entered into a lease agreement for a school building. The Academy has agreed to pay the Sponsor \$2 annually for this lease.

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2010, the Academy had general liability insurance through Wells Fargo Insurance Services of Ohio, LLC.

Settled claims have not exceeded commercial coverage in the past year. There was no significant reduction in coverage from the prior fiscal year.

NOTE 10 - CONTINGENCIES

A. Grants

The Academy received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Academy owed the Ohio Department of Education \$21,741. This amount is reflected as an intergovernmental payable on the basic financial statements.

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

Academic Acceleration Academy
Franklin County
1990 Jefferson Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the basic financial statements of the Academic Acceleration Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 18, 2011.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the finance committee, the Board of Directors, the Columbus City School District, and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 18, 2011

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

**Material Non-Compliance/Significant Deficiency
Accounting for Student Enrollment and Foundation Receipts**

Ohio Rev. Code §3314.08(B)(1) and Ohio Admin. Code 3301-29-01(A) require the governing authority of each community school to annually report the number of students enrolled in the community school. Community schools are funded on a per-pupil foundation allocation. The Academy is responsible for entering and maintaining student enrollment information in the Ohio Department of Education's (ODE) School Options Enrollment System (SOES) database, which is the reporting mechanism that drives student funding for community schools. Therefore, it is vital that community schools have policies and procedures in place which assist management in the ongoing tracking and reporting of student enrollment, as it directly affects the amount of State Foundation allocated to the Academy.

A critical component of accurate tracking and reporting is the continual process of documenting enrollment indicators, such as student application/enrollment, ongoing attendance, and withdrawal. Under the current funding model there are instances where the Academy and another school may report the same student as attending both schools; in those instances the SOES flags the student and there is an established protocol whereby the two schools reconcile by exchanging student documentation to determine where the student is actually attending.

To document enrollment for purposes of reporting each student in SOES, the Academy obtains documentation from the students' prior schools, and maintains application/enrollment forms and withdrawal forms in a separate file for each student.

We examined a sample of student files and noted the following deficiencies in the Academy's documentation and maintenance of enrollment:

- Two files lacked prior school records.
- Three files lacked a withdrawal form.
- One file lacked an official transcript for the student
- One file lacked an enrollment date on the signed release form
- One student file lacked sufficient evidence to indicate the student completed the required coursework during the time period the student was recorded as attending the Academy.

Deficiencies such as those above could affect the Academy's reported enrollment in the SOES. For example, the Academy's failure to properly document withdrawn students has a direct effect on the amount of State Foundation allocated to the Academy; in those instances the Academy could be receiving funding for students who have already withdrawn.

Additionally, the lack of application/enrollment forms noted above could jeopardize the Academy's contention that a student attended the Academy during a given period of time, if performing the reconciliation process of flagged students discussed above. This would also directly affect the Academy's allocation of State Foundation revenue.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-001 (Continued)

**Material Non-Compliance/Significant Deficiency
Accounting for Student Enrollment and Foundation Receipts (Continued)**

We recommend the Academy establish internal controls which facilitate periodic review and approval of student files. One possible control would be a checklist which could be incorporated into each student file which would help the Academy identify missing documentation or other deficiencies which ultimately affect SOES reporting and State Foundation revenue.

Officials Response:

Improvements from the 2009 audit have been implemented and completed in a relatively short amount of time. The following areas will be refined and implemented.

- Develop and implement an approval process and procedure for enrolling/withdrawing students, which includes a detailed checklist outlining items which are required in each student's record as well as a check list outlining the withdrawal reasons and supporting documentation
 - Support process by maintaining student records in a hard copy file as well as in an electronic student information system (ESIS)
 - Students will not be entered nor withdrawn into SOES or EMIS until the process has been approved and completed
 - Records will be reviewed and reconciled monthly against attendance logs, hard copy files and SOES

The responsibility for the implementation and oversight of the above will be the Chief Academic Officer.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Non-Compliance/Material Weakness – Academy should develop procedures to ensure accurate tracking and maintenance of student enrollment.	No	Partially Corrected – Re-Issued as a Significant Deficiency, Finding 2010-001
2009-002	Material Non-Compliance/Material Weakness – Accounting for Student Attendance and Average Daily Membership.	No	Partially Corrected – Re-Issued in the Management Letter

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ACADEMY ACCELERATION ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2011**