

***SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013





Dave Yost • Auditor of State

Board of Trustees
Springfield Academy of Excellence
623 S. Center Street
Springfield, Ohio 45506

We have reviewed the *Report of Independent Auditors* of the Springfield Academy of Excellence, Clark County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 3, 2014

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SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY
AUDIT REPORT
For the year ended June 30, 2013

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Springfield Academy of Excellence (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Academy of Excellence as of June 30, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplemental and Other Information

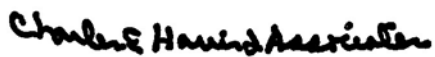
Our audit was conducted to opine on the Springfield Academy of Excellence's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 19, 2013

SPRINGFIELD ACADEMY OF EXCELLENCE, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2013

(Unaudited)

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, 2013. 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.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- ▶ Total net position decreased \$132,234 in the fiscal year 2013 from fiscal year 2012.
- ▶ Total assets decreased \$56,443 from the prior year.
- ▶ Operating loss reported for fiscal year 2013 was \$301,886 more than the operating loss reported for fiscal year 2012.

Using this Financial Report

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

The *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* reflect how the Academy did financially during fiscal year 2013. 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 Academy's net position and changes in those position. This change in net position is important because it tells the reader whether 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 Academy uses enterprise presentation for all of its activities.

SPRINGFIELD ACADEMY OF EXCELLENCE, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2013

(Unaudited)

Table 1 provides a summary of the Academy's net position for fiscal years ended June 30, 2013 and 2012.

Table 1
Net Position

	2013	2012	Change
	<u> </u>	<u>(restated)</u>	<u> </u>
<u>Assets</u>			
Current assets	\$ 60,570	\$ 129,054	\$ (68,484)
Security Deposit	6,454	6,454	0
Capital assets, net	431,253	419,212	12,041
Total Assets	<u>498,277</u>	<u>554,720</u>	<u>(56,443)</u>
<u>Liabilities</u>			
Current liabilities	271,350	171,639	99,711
Long-Term liabilities (restated)	256,465	280,385	(23,920)
Total Liabilities	<u>527,815</u>	<u>452,024</u>	<u>75,791</u>
<u>Net Position</u>			
Investment in capital assets (net of related debt)	150,868	122,088	45,761
Restricted	49,027	52,090	(3,063)
Unrestricted	(229,433)	(71,482)	(157,951)
Total Net Position (restated)	<u>\$ (29,538)</u>	<u>\$ 102,696</u>	<u>(132,234)</u>

Total liabilities of the Academy increased \$75,791 at June 30, 2013 compared with fiscal year 2012. This increase is due primarily to the Academy increase in current accounts payable.

SPRINGFIELD ACADEMY OF EXCELLENCE, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2013

(Unaudited)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2013 and 2012.

Table 2
Change in Net Position

	<u>2013</u>	<u>2012</u> <u>(restated)</u>	<u>Change</u>
Operating Revenues:			
Foundation	\$1,780,294	\$1,724,886	\$55,408
Miscellaneous	20,478	21,759	(1,281)
Non-Operating Revenues:			
State and Federal Grants	662,405	546,556	115,849
Miscellaneous	327	-	327
Interest	31	152	(121)
Total Revenues	<u>2,463,535</u>	<u>2,293,353</u>	<u>170,182</u>
Operating Expenses:			
Salaries	1,300,207	1,172,071	128,136
Fringe Benefits	321,524	305,322	16,202
Purchased Services	513,983	359,718	154,265
Leases	160,400	188,065	(27,665)
Materials and Supplies	209,280	154,017	55,263
Depreciation	22,185	18,739	3,446
Other	41,262	14,896	26,366
Non-Operating Expenses:			
Interest and fiscal charges	26,928	24,646	2,282
Total Expenses	<u>2,595,769</u>	<u>2,237,474</u>	<u>358,295</u>
Change in Net Position	(132,234)	55,879	(188,113)
Net Position, Beginning of Year (restated)	102,696	46,817	55,879
Net Position, End of Year	<u>\$ (29,538)</u>	<u>\$ 102,696</u>	<u>(132,234)</u>

Total revenue received by the Academy in fiscal year 2013 increased \$170,182 compared with fiscal year 2012. As shown on Table 2 above, there was an increase in state and federal grant revenues. The Academy was awarded an additional \$150,000 from U.S. Department of Education.

Total expenses for fiscal year 2013 increased by \$358,295 compared with total expense reported for the prior fiscal year. Salaries and purchased services were the main components of the increase in expenses.

SPRINGFIELD ACADEMY OF EXCELLENCE, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2013

(Unaudited)

Capital Assets

At June 30, 2013 the capital assets of the Academy totaled \$983,967 with accumulated depreciation being \$552,714. During the year, the Academy purchased \$34,226 of equipment. See Note 6 of the notes to the basic financial statements for additional information.

Debt

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, 2013, the outstanding principal balance was \$280,385. See Note 8 of the notes to the basic financial statements for additional information.

Restrictions and Other Limitations

The future stability of the Academy is not without challenges. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Current Financial Related Activities

The Academy is sponsored by Fordham Foundation. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students. In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy

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 POSITION
AS OF JUNE 30, 2013

Assets:

Current Assets:

Cash	\$ 24,059
Intergovernmental Receivable	36,511
Total Current Assets	<u>60,570</u>

Noncurrent Assets:

Security Deposit	6,454
Capital Assets (Net of Accumulated Depreciation)	431,253
Total Noncurrent Assets	<u>437,707</u>

Total Assets	<u><u>498,277</u></u>
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Liabilities:

Current Liabilities:

Accounts Payable	90,078
Intergovernmental Payable	27,286
Accrued Wages Payable	130,066
Notes Payable, Due within One Year	23,920
Total Current Liabilities	<u>271,350</u>

Noncurrent Liabilities:

Notes Payable, Due Within More than One Year	<u>256,465</u>
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Total Liabilities	<u><u>527,815</u></u>
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Net Position:

Net Investment in Capital Assets	150,868
Restricted	49,027
Unrestricted	(229,433)
Total Net Position	<u><u>\$ (29,538)</u></u>

See accompanying notes to the basic financial statements.

SPRINGFIELD ACADEMY OF EXCELLENCE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Foundation	\$1,780,294
Other Operating Revenue	20,478
Total Operating Revenues	<u>1,800,772</u>
Operating Expenses:	
Salaries	1,300,207
Fringe Benefits	321,524
Lease Payments	160,400
Purchased Services	513,983
Materials and Supplies	209,280
Depreciation	22,185
Other	41,262
Total Operating Expenses	<u>2,568,841</u>
Operating Loss	<u>(768,069)</u>
Non-Operating Revenues / (Expenses):	
Federal Grant Revenue	648,443
State Grant Revenue	13,962
Miscellaneous Revenue	327
Interest Earnings	31
Interest and Fiscal Charges	<u>(26,928)</u>
Total Non-Operating Revenues	<u>635,835</u>
Changes in Net Position	(132,234)
Net Position at Beginning of Year (restated)	102,696
Net Position at End of Year	<u><u>\$ (29,538)</u></u>

See accompanying notes to basic financial statements

**SPRINGFIELD ACADEMY OF EXCELLENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

Increase (Decrease) in Cash

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 1,769,717
Cash Received from Other Operating Sources	20,478
Cash Payments to Employees for Services and Benefits	(1,592,459)
Cash Payments to Suppliers for Goods and Services	(835,013)
Cash Payments for Other Expenses	(16,077)
Net Cash Used in Operating Activities	<u>(653,354)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies	699,345
Cash Received from Other Non-Operating Sources	327
Net Cash Provided by Noncapital Financing Activities	<u>699,672</u>

Cash Flows from Capital and Related Financing Activities:

Principal Paid on Notes	(16,739)
Capital Assets Purchased	(34,226)
Cash Payment for Interest Paid on Notes	(26,928)
Net Cash Used in Capital and Related Financing Activities	<u>(77,893)</u>

Cash Flows from Investing Activities:

Interest on Investments	31
Net Cash Provided by Investing Activities	<u>31</u>

Net Decrease in Cash (31,544)

Cash, Beginning of Year 55,603

Cash, End of Year \$ 24,059

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss \$ (768,069)

Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:

Depreciation	22,185
Changes in Assets and Liabilities:	
Increase in Accounts Payable	72,195
Increase in Accrued Wages Payable	21,283
Decrease in Intergovernmental Payable	(948)
Total Adjustments	<u>114,715</u>

Net Cash Used in Operating Activities \$ (653,354)

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

1. Description of the Academy

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

A. Basis of Presentation

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

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, 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 Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows reflects how the Academy finances and meets its cash flow needs.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

2. Summary of Significant Accounting Policies (continued)
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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 Academy 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 Academy's contract with its Sponsor. 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 Rev. Code Section 5705.

D. Cash

Cash received by the Academy is reflected as "cash" on the statement of net position. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. The Academy did not have any investments during fiscal year ended June 30, 2013.

E. 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 lessor/vendor.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market 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 fiscal year 2005 school year.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

2. Summary of Significant Accounting Policies (continued)
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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. Revenue received from this program is recognized as operating revenue. This program is recognized as operating revenues in the accounting period in which all eligibility requirements are met. Amounts awarded under the above program for the 2013 school year totaled \$1,780,294.

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. Federal & state grants revenue received during fiscal year 2013 was \$662,405.

G. Accrued Liabilities and Long-Term Obligations

The Academy has recognized certain liabilities on its statement of net position relating to expenses for goods and services received but unpaid as of June 30, 2013.

H. Deferred Outflow / Deferred Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2013, the Academy reported no deferred outflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2013, the Academy had no items which were classified as deferred inflows of resources.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

2. Summary of Significant Accounting Policies (continued)

I. 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. .

J. 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.

K. Net Position

Net position represent the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position 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 position are available.

3. Change in Accounting Principles

For fiscal year 2013, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

3. Change in Accounting Principles (continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows or resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Academy's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Academy's financial statements.

4. Cash

At June 30, 2013, the carrying amount of the Academy's deposits was \$24,059 and the bank balance was \$58,557, all of which was covered by the Federal Deposit Insurance Corporation (FDIC).

5. Intergovernmental Receivables

Receivables at June 30, 2013, consisted of intergovernmental grants from the Federal and State, which is considered to be collectible in full and included the following principal components:

<u>Grant Program</u>	
Title I	\$ 2,805
Title I School Improvement	4,298
Title VI B Special Education	2,592
Health & Safety	17,246
Food Service Reimbursement	3,505
Casino	6,065
Total	<u>\$ 36,511</u>

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

6. Capital Assets

A summary of the Academy's capital assets at June 30, 2013 follows:

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
Capital Assets:				
Buildings	\$ 498,505	\$ -	\$ -	\$ 498,505
Leasehold Improvements	308,495	-	-	308,495
Equipment	142,741	34,226	-	176,967
Total Assets	\$ 949,741	\$ 34,226	\$ -	\$ 983,967
Depreciation:				
Buildings	\$ (92,897)	\$ (13,271)	\$ -	\$ (106,168)
Leasehold Improvement	(308,495)	-	-	(308,495)
Equipment	(129,137)	(8,914)	-	(138,051)
Accumulated Depreciation	\$(530,529)	\$ (22,185)	\$ -	\$(552,714)
Net Capital Assets	\$ 419,212	\$ (12,041)	\$ -	\$ 431,253

7. 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 2013, 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.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

7. Risk Management (continued)

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.

8. Notes Payable (Restated)

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

Obligation	Beginning Balance (restated)	Principal Payments	Ending Balance	Amount Due in One Year
Construction loan – Huntington National Bank at 6.750%	\$297,124	\$ 16,739	\$280,385	\$ 23,920

The Academy's June 30th 2012 balance of \$314,105 was overstated by \$16,981. We have therefore adjusted the beginning balance accordingly.

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. During fiscal year 2011, the Academy refinanced the loan for additional 5 years at 6.750%. The Academy has a balloon payment that is due February 20, 2015 in the amount of \$244,319.

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.

Future principal obligations of the loan are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Inte rest</u>
2014	\$ 23,920	\$ 14,187
2015	256,465	11,503
Total	<u>\$ 280,385</u>	<u>\$ 25,690</u>

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

9. 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, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$28,368, \$24,068, and \$29,714, respectively, which equaled the required contributions for the year.

B. State Teachers Retirement System

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 comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

9. Defined Benefit Pension Plans (continued)

employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the formula benefit the retirement allowance is based on years of credited service and final average salary, which is the average of the members’ three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the money-purchase benefit, members’ lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members’ designated beneficiary is entitled to receive the member’s account balance.

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members’ defined benefit is determined by multiplying 1% of the members’ final average salary by the members’ years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

9. Defined Benefit Pension Plans (continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

For fiscal year ended June 30, 2012 (*most recent information available*) members were required to contribute 10% of their annual covered salary and the Academy was required to contribute 14%. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14% contributed by the Academy, 13% was the portion used to fund pension obligations.

The Academy's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$143,145, \$118,727, and \$130,945, respectively, which equaled the required contributions for the year.

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.

10. Post-Employment Benefits

A. School Employee Retirement System

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

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

10. Post-Employment Benefits (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The Academy contributions for the years ended June 30, 2013, 2012 and 2011 were \$1,499, \$1,421, and \$1,900, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$3,190, \$3,830, and \$7,056, respectively.

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

The financial reports of SERS' Health Care and Medicaid B plans are included in its Comprehensive Annual Financial Report. This report can be obtained on SERS Website at www.ohsers.org under Employer/Audit Resources.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

10. 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. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$11,011, \$9,133, and \$10,073, respectively; 100 percent have been contributed for fiscal years 2013, 2012, and 2011.

11. Contingencies

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2013, if applicable, cannot be determined at this time.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

12. 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.

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.
- An agreement with Modular Designs for 12 double-unit modular systems. This lease is renewable annually. During fiscal year 2013, the Academy paid ten months at \$5,150 per month for a total of \$51,500 to Modular Designs related to this lease. The remaining two months (\$ 10,300) are included in accounts payable. 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 July 1, 2010 through June 30, 2011 in the amount of \$10,000 per month. This lease is renewable annually. During fiscal year 2013, the Academy paid \$100,000 related to this lease agreement. The remaining two months (\$ 20,000) are included in accounts payable.
- 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 \$2,100 during the fiscal year 2013. Lease payments are expected to remain the same for the remaining term of the leases.

13. Related Parties

During the fiscal year ended June 30, 2013, 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. See Note 12 to the basic financial statements for additional information.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

14. Purchased Services

During the fiscal year ended June 30, 2013, purchased service expenses were as follows:

Professional and technical services	\$295,087
Property services	48,035
Meeting	112,865
Communications	17,338
Utilities	31,377
Contracted (Food Service)	9,281
Total	\$513,983

15. Sponsor Agreement

Beginning July 1, 2006, the Academy entered into a five-year agreement with the Fordham Foundation to serve as its Sponsor. Sponsorship fees paid in the amount of \$29,117 are reflected as “Purchased Services” in the Statement of Revenue, Expenses, and Change in Net Position. At the end of this five-year lease period, this agreement is renewed annually with consent of both parties.

16. Prior Period Adjustment

The Academy has determined that notes payable were recorded incorrectly in a prior year causing notes payable to be overstated. The beginning net position balance has been restated to record a prior period adjustment to correct notes payable recorded in the prior year.

Beginning Net Position, as Previously Reported	Notes Payable Restatement	Net Position As Restated
\$85,715	\$16,981	\$102,696

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

17. Deficit Balance

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Academy as a going concern.

The Academy had an operating loss (\$768,069) and net position of (\$29,538) at the end of fiscal year 2013. Management has taken steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the Academy to return to financial stability. The FTE's for fiscal year 2014 are currently 17 FTE's greater than the FTE's for fiscal year 2013.

**SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor / Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	2013	10.553	\$ 36,774	\$ 60,435
National School Lunch Program	2013	10.555	105,924	129,585
Total Child Nutrition Cluster			<u>142,698</u>	<u>190,020</u>
Total U.S. Department of Agriculture			<u>142,698</u>	<u>190,020</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct:</i>				
Elementary and Secondary School Counseling Program	2013	84.215E	149,070	148,817
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster:				
Title I School Improvement, Subsidy A Grants	2012	84.010	10,944	9,675
Title I School Improvement, Subsidy A Grants	2013	84.010	50,702	48,348
Total Title I School Improvement, Subsidy A Grants			<u>61,646</u>	<u>58,023</u>
Title I Grants to Local Educational Agencies	2012	84.010	42,680	6,302
Title I Grants to Local Educational Agencies	2013	84.010	191,315	186,347
Total Title I Grants to Local Educational Agencies			<u>233,995</u>	<u>192,649</u>
Total Title I Cluster			<u>295,641</u>	<u>250,672</u>
Special Education Grants to States	2012	84.027	2,833	2,833
Special Education Grants to States	2013	84.027	67,133	63,361
Total Special Education Grants to States			<u>69,966</u>	<u>66,194</u>
Improving Teacher Quality State Grants	2012	84.367	880	0
Improving Teacher Quality State Grants	2013	84.367	6,025	1,100
Total Improving Teacher Quality State Grants			<u>6,905</u>	<u>1,100</u>
ARRA- Race to the Top Incentive Grants	2013	84.395A	27,168	27,168
Total Passed Through Ohio Department of Education			<u>399,680</u>	<u>345,134</u>
Total U.S. Department of Education			<u>548,750</u>	<u>493,951</u>
Total			<u><u>\$ 691,448</u></u>	<u><u>\$ 683,971</u></u>

The accompanying notes are an integral part of this schedule

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- CHILD NUTRITION CLUSTER

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

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Springfield Academy of Excellence (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 19, 2013.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

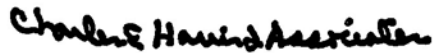
Springfield Academy of Excellence
Clark County
Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and on Compliance and
Other Matters Required by *Government Auditing Standards*

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

December 19, 2013

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Charles E. Harris & Associates, Inc.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Springfield Academy of Excellence (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Springfield Academy of Excellence's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

Springfield Academy of Excellence
Clark County
Independent Auditors' Report on Compliance With
Requirements Applicable to Each Major Federal
Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133

Opinion on its Major Federal Program

In our opinion, the Springfield Academy of Excellence complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.


Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
December 19, 2013

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY
June 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA 84.010, Title I Nutrition Cluster: CFDA 10.553, School Breakfast Program CFDA 10.555, National School Lunch Program
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2012, reported no material citations or recommendations.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Trustees:

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 procedure 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 procedure described below either for the purpose for which this report has been requested or for any purpose.

1. We noted that the Board amended its anti-harassment policy at its meeting on February 20, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act" or within a dating relationship.

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 Harris Associates

Charles E. Harris & Associates, Inc.
December 19, 2013



Dave Yost • Auditor of State

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
MARCH 13, 2014**