



**Mary Taylor, CPA**  
Auditor of State



**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

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## 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, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

March 4, 2009

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes 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 2008 are as follows:

- In total, the net assets increased \$366,604 from fiscal year 2007.
- The Academy had operating revenues of \$906,177 and operating expenses of \$1,080,944 during fiscal year 2008. The Academy also received \$530,859 in local, state and federal grants, \$11,760 in interest and had a loss on disposal of capital assets for \$1,248 during fiscal year 2008.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and 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 2008?" 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 11-18 of this report.

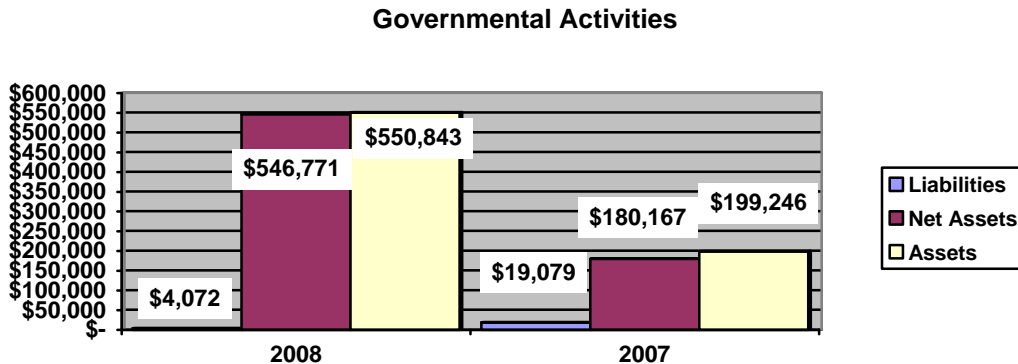
**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

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

The table below provides a summary of the Academy's net assets at June 30, 2008 and June 30, 2007.

	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
Current assets	\$ 448,722	\$ 147,809
Capital assets, net	<u>102,121</u>	<u>51,437</u>
Total assets	<u>550,843</u>	<u>199,246</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>4,072</u>	<u>19,079</u>
Total liabilities	<u>4,072</u>	<u>19,079</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	102,121	51,437
Restricted	65,245	15,334
Unrestricted	<u>379,405</u>	<u>113,396</u>
Total net assets	<u>\$ 546,771</u>	<u>\$ 180,167</u>

The chart below illustrates the Academy's assets, liabilities and net assets at June 30, 2008 and June 30, 2007.



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's assets exceeded liabilities by \$546,711. Of this total, \$379,405 is unrestricted.

At year-end, capital assets represented 18.54% of total assets. Capital assets consisted of computers, furniture 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. During fiscal year 2008, capital assets, net of depreciation, increased by \$50,684 due to the acquisition of computers, equipment, and a new security system.



**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

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

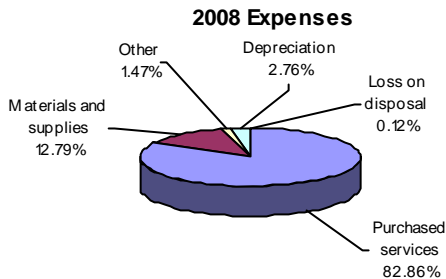
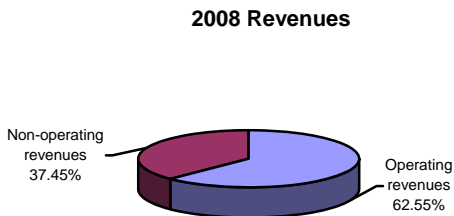
Current assets increased by \$300,913 from fiscal year 2007. This was primarily due to an increase in cash and cash equivalents due to State Foundation and Federal, State and Local grants increasing more than expenses increased during the same time period. Also, prepayments increased significantly during fiscal year 2008 due to the timing of purchased service payments that were made.

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

**Change in Net Assets**

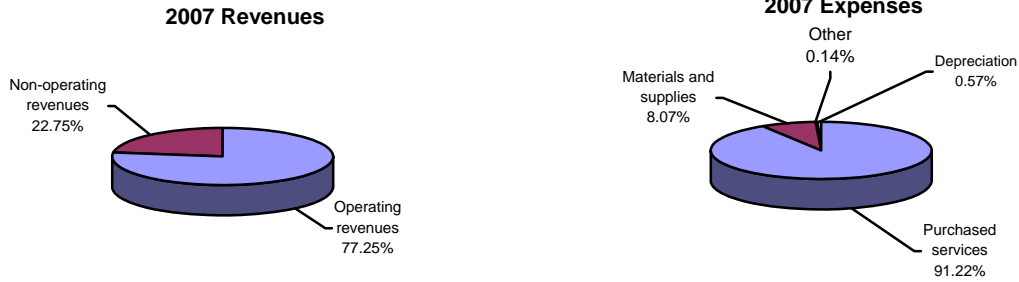
	<u>2008</u>	<u>2007</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 902,690	\$ 564,536
Charges for services	295	-
Other revenues	<u>3,192</u>	<u>-</u>
Total operating revenue	<u>906,177</u>	<u>564,536</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	896,677	545,221
Materials and supplies	138,465	48,225
Other	15,911	795
Depreciation	<u>29,891</u>	<u>3,436</u>
Total operating expenses	<u>1,080,944</u>	<u>597,677</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal, state and local grants	530,859	159,877
Loss on disposal of capital assets	(1,248)	-
Interest income	<u>11,760</u>	<u>6,331</u>
Total non-operating revenues (expenses)	<u>541,371</u>	<u>166,208</u>
Change in net assets	366,604	133,067
Net assets at the beginning of the year	<u>180,167</u>	<u>47,100</u>
Net assets at the end of the year	<u>\$ 546,771</u>	<u>\$ 180,167</u>

The charts below illustrate the revenues and expenses for the Academy for fiscal year 2008 and 2007.



**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

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



State Foundation and Federal and State grant revenues increased significantly during fiscal year 2008 primarily due to an increase in enrollment. Local grants increased due to a \$200,000 grant received from the Walton Family Foundation. Expenses increased significantly as well, primarily due to the increase in enrollment. Depreciation expense increased due to an increase in capital assets (discussed on page 4).

**Capital Assets**

At June 30, 2008, the Academy had \$102,121 invested in computers, furniture 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	
	2008	2007
Computers, furniture and equipment	<u>\$ 102,121</u>	<u>\$ 51,437</u>

**Current Financial Related Activities**

The Academy is sponsored by the Columbus Public School District. The Academy relies primarily on the 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, 2008**

**Assets:**

Current Assets:

Cash and cash equivalents . . . . .	\$	293,873
Investments . . . . .		97,463
Intergovernmental receivable . . . . .		9,306
Prepayments . . . . .		48,080
Total current assets . . . . .		448,722

Non-Current Assets:

Capital assets, net. . . . .		102,121
Total assets. . . . .		550,843

**Liabilities:**

Accounts payable . . . . .		4,072
Total liabilities . . . . .		4,072

**Net Assets:**

Invested in capital assets . . . . .		102,121
Restricted for:		
Locally funded programs. . . . .		43,764
State funded programs. . . . .		1,890
Federally funded programs. . . . .		19,591
Unrestricted. . . . .		379,405
Total net assets. . . . .	\$	546,771

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, 2008**

<b>Operating revenues:</b>	
State foundation. . . . .	\$ 902,690
Charges for services. . . . .	295
Other revenues . . . . .	<u>3,192</u>
Total revenues . . . . .	<u>906,177</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	896,677
Materials and supplies . . . . .	138,465
Other operating expenses . . . . .	15,911
Depreciation . . . . .	<u>29,891</u>
Total expenses . . . . .	<u>1,080,944</u>
 Operating loss . . . . .	 <u>(174,767)</u>
 <b>Non-operating revenues (expenses):</b>	
Federal, state and local grants . . . . .	530,859
Interest income . . . . .	11,760
Loss on disposal of capital assets. . . . .	<u>(1,248)</u>
Total non-operating revenues (expenses). . . . .	<u>541,371</u>
 Change in net assets. . . . .	 366,604
 <b>Net assets at beginning of year. . . . .</b>	 <u>180,167</u>
<b>Net assets at end of year . . . . .</b>	<b><u>\$ 546,771</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

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

<b>Cash flows from operating activities:</b>	
Cash received from foundation. . . . .	\$ 893,384
Cash received from charges for services. . . . .	295
Cash received from other operations. . . . .	3,192
Cash payments for purchased services . . . . .	(959,037)
Cash payments for materials and supplies . . . . .	(138,241)
Cash payments for other expenses . . . . .	<u>(15,911)</u>
 Net cash used in operating activities . . . . .	 <u>(216,318)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal, state and local grants. . . . .	<u>530,859</u>
 Net cash provided by noncapital financing activities . . . . .	 <u>530,859</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	<u>(81,823)</u>
 Net cash used in capital and related financing activities . . . . .	 <u>(81,823)</u>
<b>Cash flows from investing activities:</b>	
Purchase of investment . . . . .	(97,463)
Interest received . . . . .	<u>11,760</u>
 Net cash provided by investing activities . . . . .	 <u>(85,703)</u>
 Net increase in cash and cash equivalents . . . . .	 147,015
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>146,858</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 293,873</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (174,767)
Adjustments:	
Depreciation. . . . .	29,891
Changes in assets and liabilities:	
Increase in intergovernmental receivable . . . . .	(9,306)
Increase in prepayments . . . . .	(47,129)
Decrease in accounts payable . . . . .	<u>(15,007)</u>
 Net cash used in operating activities. . . . .	 <u><u>\$ (216,318)</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, 2008**

**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. Delaware-Union Educational Service Center serves as the fiscal agent for the Academy (see Note 8). The Academy served 145 students during fiscal year 2008 and was the 759<sup>th</sup> largest by enrollment among the 896 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. Certificated 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 2008, the Academy had a personnel agreement with the Delaware-Union ESC (the "ESC"). Under this agreement, non-certificated personnel providing services to the Academy on behalf of the ESC under the purchased service basis are considered employees of the ESC, and the ESC 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, 2008  
(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) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB Statements or Interpretations 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, 2008  
(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 2008, investments were limited to investments in non-negotiable certificates of deposit and in the State Treasury Asset Reserve of Ohio (STAR Ohio). Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2008.

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.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**G. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program, School net professional development grant, IDEA VI-B grant, Title I grant, Title V grant, Drug free school grant, Title II-A, Title II-D, EMIS grant, Public Charter Schools grant and the Walton Foundation 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 2008 was \$530,859.

**H. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2008. 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 99% 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.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 3 - ACCOUNTABILITY**

**Change in Accounting Principles**

For the fiscal year 2008, the Academy has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

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

**NOTE 4 - CASH AND CASH EQUIVALENTS**

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all Academy deposits was \$350,792. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$232,813 of the Academy's bank balance of \$429,888 was exposed to custodial credit risk as discussed below, while \$197,075 was covered by the Federal Deposit Insurance Corporation.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no investment policy dealing with investment custodial risk.

**B. Investments**

As of June 30, 2008, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 months</u>
Certificate of Deposit	\$97,463	\$0	\$97,463
STAR Ohio	38,081	38,081	0
Total	<u>\$135,544</u>	<u>\$38,081</u>	<u>\$97,463</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Academy's investment policy limits investment portfolio maturities to five years or less.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 - CASH AND CASH EQUIVALENTS – (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Academy's investment policy does not specifically address custodial credit risk.

*Concentration of Credit Risk:* The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Certificate of Deposit	\$97,463	71.9%
STAR Ohio	38,081	28.1%
	<u>\$135,544</u>	<u>100.0%</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 255,792
Investments	<u>135,544</u>
Total	<u>\$ 391,336</u>
 <u>Cash and investments per statement of net assets</u>	
Business-type activities	<u>\$ 391,336</u>
Total	<u>\$ 391,336</u>

**NOTE 5 - RECEIVABLES**

At June 30, 2008, receivables consisted of intergovernmental receivables of \$9,306 in state foundation funding (See Note 10.C). The receivables are expected to be collected in full within one year.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 6 - CAPITAL ASSETS**

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

	Balance at <u>6/30/2007</u>	Additions	Reductions	Balance at <u>6/30/2008</u>
Equipment	\$ 54,873	\$ 81,823	\$ (1,302)	\$ 135,394
Less: accumulated depreciation	<u>(3,436)</u>	<u>(29,891)</u>	<u>54</u>	<u>(33,273)</u>
Net capital assets	<u>\$ 51,437</u>	<u>\$ 51,932</u>	<u>\$ (1,248)</u>	<u>\$ 102,121</u>

**NOTE 7 - PURCHASED SERVICES**

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

Professional and technical services	\$ 785,720
Property services	24,165
Travel milage/meetings	4,568
Communications	22,837
Utilities	19,555
Other purchased services	<u>39,832</u>
Total	<u>\$ 896,677</u>

**NOTE 8 - SERVICE AGREEMENTS**

**A. Delaware-Union Educational Service Center**

The Academy entered into a one-year agreement on July 1, 2007, with Delaware-Union Educational Service Center (the "ESC") for fiscal services for the Academy for fiscal year 2008. Under the contract, the ESC is required to provide the following services:

1. The ESC will provide to the Academy fiscal support to ensure the efficient and effective operation of the Academy, that being the establishment of processes and procedures that will effect the proper receipt and maintenance of all funds due to the Academy, payment of all its obligations, preparation of all appropriate revenue and expenditure reports, and a system of controls that guarantee the smooth operation of the Academy as it fulfills its obligations.
2. The ESC expressly identifies and defines its function as providing fiscal services to the Academy. Such use of the term fiscal services is not synonymous with the term school treasurer, whose duties and functions are broader in scope.

As compensation for the performance of such fiscal services involving the functions of school treasurer, the Academy shall pay the ESC four percent (4.0%) of the total payments received by the Academy from State revenue funds. Payment shall be made to the ESC on a quarterly basis.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - SERVICE AGREEMENTS – (Continued)**

The Academy also entered into another one-year agreement on August 1, 2007 with the ESC for non-certificated personnel services for the Academy for fiscal year 2008. Under the agreement, the ESC employs non-certificated personnel for the Academy. Under the purchased service basis, the Academy paid the ESC the salaries and benefits of the non-certificated personnel, plus a 4.0% fee on those related expenditures.

During the fiscal year ended June 30, 2008, the Academy paid the ESC \$269,799 for fiscal services and reimbursement for non-certificated personnel payroll and benefits expenditures.

**B. Columbus City Schools**

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 2008. 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.
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, 2008, the Academy made payments of \$367,515 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 2008, 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.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**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, 2008.

**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 Ohio Department of Education owed the Academy \$9,306. This amount is reflected as an intergovernmental receivable as the basic financial statements.

**NOTE 11 - SUBSEQUENT EVENT**

Beginning July 1, 2008, the Academy entered into a one-year agreement with Charter School Specialists for fiscal services for the Academy for fiscal year 2009.

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# Mary Taylor, CPA

Auditor of State

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

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, 2008, and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated March 4, 2009.

### **Compliance and Other Matters**

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 4, 2009.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

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

**Mary Taylor, CPA**  
Auditor of State

March 4, 2009

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2008-001**

**Significant Deficiency/Material Weakness**

**Financial Statement Adjustments**

Sound financial reporting is the responsibility of the Treasurer of the Academy and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Academy made the following audit adjustments to the June 30, 2008 financial statements:

- 1) Prepaid Assets were understated by \$47,117 and Purchased Services expenses were overstated by the same amount.
- 2) Capital Assets were understated by \$17,360 and Materials and Supplies expenses were overstated by the same amount.
- 3) A certificate of deposit of \$97,463 that was originally classified as cash was reclassified as investments.

The adjustments identified above should be reviewed by the Treasurer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Academy adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

**Officials' Response:**

A review of activity posted will be done by the Treasurer.

**FINDING 2008-002**

**Unaccounted Gift Cards –  
Finding for Recovery Repaid Under Audit**

The Academy expended public funds in the amount of \$275 on student gift card incentives that cannot be located or determined if they were provided to students. As a result, it could not be determined whether the expenditures were for a proper public purpose of the School, or otherwise met the goals and mission of the Academy. The former Chief Academic Officer, Dr. Ted Thompson, was responsible for custody of student gift card incentives.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

**ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)**

**FINDING 2008-002 (continued)**

**Unaccounted Gift Cards –  
Finding for Recovery Repaid Under Audit (continued)**

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against Dr. Ted Thompson, former Chief Academic Officer in the amount of \$275, in favor of the Academic Acceleration Academy's General Fund.

In September 2008 the Board of Directors adopted a policy to govern the purchase, accounting, and distribution of gift card incentives.

On February 27, 2009, Dr. Ted Thompson repaid the Academic Acceleration Academy the \$275 identified above.

**Officials' Response:**

The Academy had a board-approved policy and adequate internal controls in place at the time the gift cards were purchased. It is the belief of the Board that the gift cards came up missing during the transition of the Chief Academic Officer's move to a new position in Columbus City Schools.

ACADEMIC ACCELERATION ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Financial Statement Adjustments	No	Reissued as Finding 2008-001





**Mary Taylor, CPA**  
Auditor of State

**ACADEMIC 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  
APRIL 16, 2009**