ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008
AND THE PERIOD OF JULY 1, 2008 TO AUGUST 31, 2008

Mary Taylor, CPA
Auditor of State

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Arts and Science Academy
Trumbull County
261 Elm Road
Warren, OH 44483

To the Board of Directors:

We have audited the accompanying basic financial statements of the Arts and Science Academy, Trumbull County, Ohio (the Academy), as of and for the year ended June 30, 2008 and the period of July 1, 2008 to August 31, 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 misstatements. 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 the Arts and Science Academy, Trumbull County, Ohio, as of June 30, 2008 and August 31, 2008, and the changes in its financial position and its cash flows for the year and period then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 16, the Academy was placed on suspension status August 11, 2008 by St. Aloysius Orphanage (the Sponsor) due to no feasible site with which to open for the fall of 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 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.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2009

The discussion and analysis of the Arts and Science Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008 and the period of July 1, 2008 to August 31, 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 financial statements and notes to the financial statements to enhance their understanding of the Academy's financial performance. The first year of the Academy's operations was 2006.

FINANCIAL HIGHLIGHTS

Key highlights for fiscal year 2008 are as follows:

- Net assets increased $136,533.
- Operating expenses accounted for $1,213,779 of the total expenses of $1,219,279.
- Operating revenues accounted for $1,040,867 of the Academy's funding.
- The Academy had an operating loss of $172,912 and the operating loss was alleviated by $314,945 of non-operating state and federal grants. The Academy was able to utilize the majority of federal grant allocations for fiscal year 2008.

Key highlights for the period July 1, 2008 to August 31, 2008 are as follows:

- Net assets decreased $59,869.
- Operating expenses accounted for $59,725 of the total expenses of $59,869.
- The Academy recognized no revenues for the period of July 1, 2008 to August 31, 2008.
- The Academy had an operating loss of $59,725.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of three parts – management's discussion and analysis, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from governmental-wide financial statements is included in the discussion and analysis.

The following tables represent a summary of the Academy's condensed financial information for 2008 and the period of July 1, 2008 to August 31, 2008 that were derived from the statement of net assets and the statement of revenues, expenses and changes in net assets.

Table 1 provides a summary of Academy's net assets for August 31, 2008 and June 30, 2008 compared to June 30, 2007:

	August 31, 2008	June 30, 2008	June 30, 2007
Assets:			
Current Assets	$279,762	$204,788	$88,215
Capital Assets	50,008	50,008	59,337
Total Assets	329,770	254,796	147,552
Liabilities:			
Current Liabilities	268,432	133,589	142,968
Long-Term Liabilities	0	0	19,910
Total Liabilities	268,432	133,589	162,878
Net Assets:			
Invested in Capital Assets, Net of Related Debt	34,510	30,098	14,838
Restricted for Other Purposes	11,304	36,652	75
Unrestricted	15,524	54,457	(30,239)
Total Net Assets	$61,338	$121,207	($15,326)

Net assets at August 31, 2008 indicate an increase of $76,664 over the net asset balance reported at June 30, 2007. The increase is the result of continued enrollment growth in the Academy's third year of operations. As disclosed in Note 16 of the Academy's financial statements, the Board and the Academy's Sponsor cooperatively agreed to suspend Academy operations until such time as an appropriate alternate site can be identified. Accordingly, operations of the Academy ceased effective August 11, 2008. Until the Academy is able to identify an alternate site, determine costs of occupancy for the new site and determine potential enrollment, management is unable to project what outcomes of future years might look like.

Table 2 reflects the changes in net assets for the period of July 1, 2008 to August 31, 2008 and the fiscal year ended June 30, 2008 as compared to the fiscal year ended June 30, 2007.

Table 2
Change in Net Assets

	August 31, 2008	June 30, 2008	June 30, 2007
Operating Revenues:			
Foundation	$0	$1,038,146	$1,028,201
Charges for Services	0	2,310	725
Miscellaneous	0	411	0
Total Operating Revenues	-	1,040,867	$1,028,926
Operating Expenses:			
Building	$6,547	16,852	167,772
Purchased Services	7,031	1,062,301	970,050
Depreciation	0	9,329	9,328
General Supplies	41,829	112,835	155,536
Other Operating Expense	4,318	12,462	14,028
Total Operating Expenses	59,725	1,213,779	1,316,714
Operating Loss	(59,725)	(172,912)	(287,788)
Non Operating Revenues and Expenses			
Federal State and Restricted Grants	0	314,945	319,928
Interest Expense	(144)	(5,500)	(13,979)
Net Operating Revenues and Expenses	(144)	309,445	305,949
Change in Net Assets	(59,869)	136,533	$18,161
Net Assets Beginning of Year	121,207	(15,326)	($33,487)
Net Assets End of Year	$61,338	$121,207	($15,326)

At the onset of planning for the opening of the Academy, management and the board carefully calculated the costs and risks associated with offering a high quality educational program that would be competitive with the educational programs available at the traditional public schools and weighed those costs and risks against the enhanced educational opportunities that would be available to students. Based on that analysis, the board and its management made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to generate large economic profits, but rather on a plan that is economically sustainable and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary programs came from delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses and invoices for payroll of Academy staff.

BUDGET

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, St. Aloysius Orphanage, does not prescribe a budgetary process for the Academy.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2008, the Academy had $50,008 net of accumulated depreciation invested in capital assets. The following table schedules the Academy's capital assets as of:

	August 31, 2008	June 30, 2008	June 30, 2007
Furniture & Equipment	$45,437	$45,437	$45,437
Computer Technology	25,141	25,141	25,141
Less: Accumulated Depreciation	(20,570)	(20,570)	(11,241)
Net Capital Assets:	$50,008	$50,008	$59,337

There were no asset acquisitions or disposals during fiscal year 2008 and the period of July 1, 2008 to August 31, 2008. For further information regarding the Academy's capital assets, refer to Note 6 to the basic financial statements.

At June 30, 2008, the Academy had $19,910 of capital lease obligations for furniture and technology outstanding. The entire balance of $19,910 is due within one year. Principal payments of $2,194 were made during the period of July 1, 2008 to August 31, 2008 and the balance of the amount due within one year on the August 31, 2008 financial statements in $17,716. For further information regarding the Academy's debt, refer to Note 13 to the basic financial statements.

ECONOMIC FACTORS

Management is not currently aware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on the financial position or results of operations.

OPERATIONS

The Academy is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through second grade. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, 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 any questions concerning this report, please contact Robert Schirhart, Controller of the Academy, 3333 Chippewa Drive, Columbus, Ohio 43204.

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current assets:	
Cash and Cash Equivalents	$ 97,476
Accounts Receivable	158
Intergovernmental Receivable	105,529
Prepaid Expense	1,625
Total current assets	204,788
Noncurrent assets:	
Capital Assets, net of Accumulated Depreciation	50,008
Total assets	254,796
Liabilities:	
Accounts Payable, Trade	35,947
Accounts Payable, Related Party	77,518
Accrued Interest	214
Current Portion of Long-term Debt	19,910
Total liabilities	133,589
Net Assets	
Invested in Capital Assets, Net of Related Debt	30,098
Restricted Net Assets	36,652
Unrestricted Net Assets	54,457
Total Net Assets	$ 121,207

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues:		
Community School Foundation	$	1,038,146
Charge for Services		2,310
Miscellaneous		411
Total Operating Revenues		1,040,867
Operating Expenses:		
Building		16,852
Purchased Services		1,062,301
Depreciation		9,329
General Supplies		112,835
Other Operating Expenses		12,462
Total Operating Expenses		1,213,779
Operating Loss		(172,912)
Nonoperating Revenues and Expenses:		
Federal and State Restricted Grants		314,945
Interest Expense		(5,500)
Net Nonoperating Revenues and Expenses		309,445
Change in Net Assets		136,533
Net Assets (Deficit) Beginning of Year		(15,326)
Net Assets (Deficit) End of Year	$	121,207

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 943,915
Charge for Services	2,151
Other Operating Receipts	411
Cash Payments to Suppliers for Goods and Services	(1,121,241)
Net Cash Used for Operating Activities	(174,764)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grant Receipts	301,884
Net Cash Provided by Noncapital Financing Activities	301,884
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Short-term Finance Payments	(759)
Capital Lease Principal Payments	(24,589)
Capital Lease Interest Payments	(4,527)
Net Cash Used for Capital and Related Financing Activities	(29,875)
Net Increase in Cash and Cash Equivalents	97,245
Cash and Cash Equivalents - Beginning of the Year	231
Cash and Cash Equivalents - Ending of the Year	$ 97,476
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (172,912)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	9,329
Changes in assets and liabilities:	
Increase in Receivables	(6,834)
Decrease in Prepaid Expense	568
Decrease in Accounts Payable, Trade	11,132
Increase in Accounts Payable, Related Party	(10,860)
Increase in Deferred Revenue	(5,187)
Net Cash Used for Operating Activities	$ (174,764)

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

STATEMENT OF NET ASSETS
AUGUST 31, 2008

Assets:	
Current assets:	
Cash and Cash Equivalents	$ 166,587
Intergovernmental Receivable	92,766
Prepaid Expense	20,409
Total current assets	279,762
Noncurrent assets:	
Capital Assets, net of Accumulated Depreciation	50,008
Total assets	$ 329,770
Liabilities:	
Accounts Payable, Trade	55,188
Accounts Payable, Related Party	15,232
Deferred Revenue	180,296
Current Portion of Long-term Debt	17,716
Total liabilities	268,432
Net Assets	
Invested in Capital Assets, Net of Related Debt	34,510
Restricted Net Assets	11,304
Unrestricted Net Assets	15,524
Total Net Assets	$ 61,338

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD JULY 1, 2008 TO AUGUST 31, 2008

Operating Revenues:	
Community School Foundation	$ -
Operating Expenses:	
Building	6,547
Purchased Services	7,031
General Supplies	41,829
Other Operating Expenses	4,318
Total Operating Expenses	59,725
Operating Loss	(59,725)
Nonoperating Expenses:	
Interest Expense	(144)
Change in Net Assets	(59,869)
Net Assets Beginning of Year	121,207
Net Assets End of Year	$ 61,338

See Accompanying Notes to the Basic Financial Statements

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 1, 2008 TO AUGUST 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation Receipts	$ 162,788
Charges for Services	158
Cash Payments to Suppliers for Goods and Services	(104,046)
Net Cash Provided by Operating Activities	58,900
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grant Receipts	12,763
Net Cash Provided by Noncapital Financing Activities	12,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Short-term Finance Payments	(144)
Capital Lease Principal Payments	(2,194)
Capital Lease Interest Payments	(214)
Net Cash Used for Capital and Related Financing Activities	(2,552)
Net Increase in Cash and Cash Equivalents	69,111
Cash and Cash Equivalents - Beginning of the Year	97,476
Cash and Cash Equivalents - Ending of the Year	$ 166,587

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	$ (59,725)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Changes in assets and liabilities:	
Decrease in Receivables	158
Increase in Prepaid Expense	(21,194)
Increase in Accounts Payable, Trade	21,651
Decrease in Accounts Payable, Related Party	(62,286)
Increase in Deferred Revenue	180,296
Net Cash Provided By Operating Activities	$ 58,900

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School

The Arts and Science Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through second grade. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing after July 1, 2005 and ending June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsor has placed the Academy on suspension due to the Governing Board’s inability to secure an adequate facility according to the statutorily required timeline.

The Academy operates under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operate or manage the Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy’s Governing Board also serves as the Board for the Academy of Arts and Humanities.

The Academy contracts with Mosaica Education, Inc., for management services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 15.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Academy’s accounting policies are described below.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when 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. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the St. Aloysius Orphanage, does not prescribe a budgetary process for the Academy.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2008 or the period of July 1, 2008 to August 31, 2008.

F. Prepaid Items

The Academy records payments made to vendors for services that will benefit periods beyond the end of the fiscal reporting period as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

The Academy's capital assets during fiscal year 2008 and the period ending August 31, 2008 consisted of computers, furniture, and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

All capital asset are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Furniture and Equipment	5-20 years
Computer Technology	5 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy 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. As of June 30, 2008 and August 31, 2008, there were no net assets restricted by enabling legislation.

The statement of net assets at August 31, 2008 and June 30, 2008 reports $11,304 and $36,652, respectively, in net assets related to certain unspent federal grand receipts and $34,510 and $30,098, respectively, invested in capital assets net of related debt.

I. 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.

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 those estimates.

K. Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. The Academy reported deferred revenue for state foundation receipts collected but not earned as of August 31, 2008.

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.

Note 3 – Changes in Accounting Principles

For fiscal year 2008, the Academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures". The implementation of GASB Statement 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (Refer to Note 10) have been modified to conform to the new reporting requirements. The implementation of GASB Statement 48 and GASB Statement 50 did not have effect on the financial statements for the Academy.

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2008 and August 31, 2008, the bank balance of Academy's deposits was $99,152 and $169,900 respectively. Of the bank balance, $100,000 was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", $69,900 was uninsured and uncollateralized at August 31, 2008. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At August 31, 2008 and June 30, 2008, the Academy had intergovernmental receivables, in the amount of $92,766 and $105,529 respectively. The receivables are expected to be collected within one year.

	August 31, 2008	June 30, 2008
State Foundation	$ 6,675	$ 6,675
Federal School Public Grant	42,336	42,336
Title I	39,923	39,923
IDEA B	3,195	11,214
National School Lunch Program	-	4,744
Title II	637	637
Total Intergovernmental Receivables	$92,766	$105,529

Note 6 - Capital Assets

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

Depreciable Capital Assets	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Furniture & Equipment	$45,437	$0	$0	$45,437
Computer Technology	25,141	0		25,141
Less Accumulated Depreciation				
Furniture & Equipment	(5,376)	0	(4,300)	(9,676)
Computer Technology	(5,865)	0	(5,029)	(10,894)
Capital Assets, Net	$59,337	$0	($9,329)	$50,008

There were no capital asset additions or deletions during the period of July 1, 2008 to August 31, 2008. Therefore, capital asset balances and accumulated depreciation remained the same as reported for June 30, 2008.

Note 7 – 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 employees; and natural disasters. During fiscal year 2008, the Academy contracted with the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	10,000
Damage to Rented Premises - Each Occurrence	300,000
Personal and Advertising Injury	572,700
Automobile Liability:	
Combined Single Limit	1,000,000
Excess/Umbrella Liability:	
Each Occurrence	300,000
Aggregate Limit	300,000

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage during the year or in the period of July 1, 2008 to August 31, 2008.

Note 8 – Purchased Services

For the period ended August 31, 2008, and year ended June 30, 2008, purchased service expenses were for the following services:

Purchased Services	August 31, 2008	June 30, 2008
Personnel Services	$5,280	$681,818
Building Services	724	$33,754
Food Service	0	$60,783
Student Services	0	$41,230
Staff and Adminstrative Services	0	$192,094
Professional Services	0	$34,888
Sponsor Services	902	$10,258
Advertising	125	$7,476
Total	$7,031	$1,062,301

Note 9 – Defined Benefit Pension Plans

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the period ended August 31, 2008 and fiscal years ended June 30, 2008, 2007 and 2006 were $213, $8,475, $12,298 and $6,669 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS

Note 9 – Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (continued)

Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligations to STRS Ohio for the period ended August 31, 2008 and the fiscal years ended June 30, 2008, 2007 and 2006 were $0, $55,485, $50,548 and $19,118 respectively; 100 percent has been contributed for the fiscal years 2008, 2007, and 2006. The Academy and plan members did not make contributions to the DC and Combined Plans for the fiscal year 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2008, none of the Academy staff have elected Social Security.

Note 10 – Postemployment Benefits

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the one month ended July 31, 2008 and the fiscal years ended June 30, 2008, 2007, and 2006 were $97, $3,868, $3,822, and $2,164 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the period ended August 31, 2008 and the fiscal year ended June 30, 2008 was $15 and $611 respectively; 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System

Plan Description – The 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 2008, 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 period ended August 31, 2008 and the fiscal years ended June 30, 2008, 2007, and 2006 were $0, $4,268, $3,886, and $1,470 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

Note 11 - Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. 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 or at August 31, 2008.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education reflected the Academy is owed $6,675 by the Ohio Department of Education. This is reported as an intergovernmental receivable on the June 30, 2008 and August 31, 2008 Statements of Net Assets.

C. Litigation

The Academy's management company, Mosaica Education, Inc., is party to legal proceedings related to building lease agreements for the building in which the Academy was located in until February 2008. The potential outcome of this litigation and the potential effect on the financial condition of the Academy cannot be determined.

Note 12 – Building Leases

At the onset of the 2007-08 fiscal year, the Academy occupied a facility owned by PKAM, LLC under a sublease agreement with Ohio Educational Facilities, LLC, a wholly owned subsidiary of Mosaica Education, Inc. from July 1, 2007 through February 2008. At that time, the Academy was temporarily relocated to a property owned by Warren-Elm Facilities, LLC, a wholly owned subsidiary of Mosaica Education, Inc. The terms of the Warren-Elm lease agreement provided for the use of approximately 11,224 square feet of the first floor of the main building and grounds as a school facility for $6,547 per month through June 30, 2008. In addition, the Academy rented an additional 12,528 square feet of common area from the other tenant of the building, Academy of Arts and Humanities, which shares the same Board of Directors with the Academy, for $3,654 per month.

Note 13 – Capital Lease-Lessee Disclosure

The Academy entered into two lease agreements in fiscal year 2006 with Relational LLC for technology equipment (computers) and furniture. The Academy's lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The furniture & equipment; technology and technology wiring have been capitalized in the amounts of $45,437 and $25,141 respectively, the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments are as follows:

Note 13 – Capital Lease-Lessee Disclosure (Continued)

Year Ending June 30	Technology	Furniture
2009	$ 8,578	$12,405
Total future minimum lease payments	8,578	12,405
Less: amount representing interest	(522)	(551)
Present value of future minimum lease payments	$ 8,056	$11,854

A liability for capital lease obligations in the amount of $19,910 is reported on the Statement of Net Assets. The entire balance of $19,910 is a current liability due within one year. The Academy made $24,589 of principal payments during the year ended June 30, 2008.

During the period ended August 31, 2008, the Academy made principal payments on these capital leases in the amount of $2,194 leaving principal remaining at the end of the period in the amount of $7,291 for the Technology lease and $10,425 for the Furniture lease.

Note 14 –Tax Exempt Status

The Academy has filed for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Note 15 – Related Party Transactions/Management Company

During the fiscal year, the Academy shared a facility with Academy of Arts and Humanities, a separate community school that shares a Board of Directors with the Academy. The Academy paid fair value for use of the space it occupied and space it shared with Arts and Humanities Academy. At August 31, 2008 and June 30, 2008 the Academy owed Academy of Arts and Humanities $13,028 of rent for common area usage between February 2008 and June 20, 2008.

The Academy contracts with Mosaica Education, Inc. for a variety of services including management of personnel and human resources, board relations, financial management, marketing, technology services, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statement and budget preparation and accounts payable and payroll preparation.

Per the management agreement with the Academy, Mosaica Education is entitled to a management fee that is equivalent to 12.5% of the Academy's revenues. The management fee for the period of July 1, 2008 to August 31, 2008 and the fiscal year ended June 30, 2008 was $13,962 and $168,103, respectively. In addition, upon termination of the agreement due to nonperformance by either party, or in the event of nonrenewal upon expiration of the agreement, the Academy must pay Mosaica Education, Inc. $100,000 per year for three consecutive years.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries of Mosaica Education, Inc. employees working at the Academy, and other costs related to providing educational and administrative services. The total expenses paid to Mosaica Education Inc. during the period of July 1, 2008 to August 31, 2008 and the fiscal year ended June 30, 2008 were $67,121 and $701,694.

Note 15 – Related Party Transactions/Management Company (Continued)

At August 31, 2008 and June 30, 2008, the Academy had payables to Mosaica Education in the amount of $15,232 and $77,518, respectively. The following is a schedule of payables to Mosaica Education, Inc.

	August 31, 2008	June 30, 2008
Payroll	$0	$48,032
Management Fee	1,566	15,701
Miscellaneous	13,666	13,785
Total June 30, 2007	$15,232	$77,518

Note 16 – Sponsor

The Academy was approved for operation under a contract with St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing July 18, 2005. As part of this contract, the Sponsor is entitled to a maximum of 1% of the total state funds. Total amount due and paid for fiscal year 2008 was $10,258. The total amount due and paid for the period of July 1, 2008 to August 31, 2008 was $902.

On August 11, 2008, the Sponsor and the Academy Board determined that there was no feasible site with which to open for the fall of 2008. Accordingly, the Sponsor placed the Academy's operations in suspension. The Academy intends to request permission to resume operations once a site can be identified. As of March 12, 2009, a site had yet to be identified.

Note 17 – Management's Plan

The Academy entered its period of suspension with a net asset balance of $61,338. The Academy is currently in the process of identifying a site at which it can reopen in the fall of 2009 for the 2009-2010 school year. Once a site is identified and market studies are completed to ensure adequate enrollment to support operations in the long term, the management of the Academy will begin marketing to potential students.

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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*

Arts and Science Academy
Trumbull County
261 Elm Road
Warren, OH 44483

To the Board of Directors:

We have audited the basic financial statements of the Arts and Science Academy, Trumbull County, Ohio, (the Academy), as of and for the year ended June 30, 2008 and the period of July 1, 2008 to August 31, 2008, and have issued our report thereon dated March 12, 2009 wherein we noted the Academy was suspended effective August 11, 2008. 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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www.auditor.state.oh.us

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 findings number 2008-001 and 2008-002 are also material weaknesses.

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 provision of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards.*

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 management, the Board of Directors, and St. Aloysius Orphanage. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2009

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008 AND
THE PERIOD OF JULY 1, 2008 TO AUGUST 31, 2008

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness

Section 1.02 (a) (vii) (A) of the management agreement between the Academy and Mosaica Education, Inc (MEI) states that MEI will maintain accurate financial records pertaining to its operation of the Academy. Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the June 30, 2008 and August 31, 2008 financial statements and the Academy's ledgers.

- Audit adjustments to increase intergovernmental receivable and state and federal grant revenue reported by $10,984 on the June 30, 2008 financial statements to accurately report Title I and Public Charter School Grant revenue earned before June 30, 2008. These audit adjustments of $10,984 were also made to the intergovernmental receivable and the beginning net asset balance on the August 31, 2008 financial statements.
- An audit adjustment of $42,130 to decrease accounts payable and general supplies expenses at June 30, 2008 for expenses that were not incurred by the Academy before June 30, 2008. In addition an audit adjustment of $42,130 was made to increase general supplies expenses and the beginning net asset balance on the August 31, 2008 financial statements.
- A reclassification of $13,028 to accurately report the amount owed to that Academy of Arts and Humanities as Accounts Payable, Related Party rather than Accounts Payable, Trade on the June 30, 2008 financial statements.
- The Academy presented financial statements as of July 31, 2008. However, the Academy's operations were not suspended until August 11, 2008 and there was a significant amount of financial activity that incurred during August of 2008. Therefore, audit adjustments were made to the financial statements to reflect the Academy's financial position as of August 31, 2008.
- An audit adjustment of $2,409 to decrease Prepaid Expenses and Account Payable-Trade to accurately reflect the capital lease payment for August of 2008 on the August 31, 2008 financial statements.

The following audit adjustments were inconsequential to the overall financial statements of the Academy and were not posted to the August 31, 2008 financial statements:

- An adjustment to increase depreciation expense and decrease capital assets by $1,555 for depreciation expense related to July and August of 2008.
- Adjustment to account for the revenue and expense activity of the Academy subsequent to August 31, 2008.

The Academy and the fiscal department of Mosaica Education, Inc. should review the adjustments identified above to ensure that a similar errors are not reported on the financial statements in subsequent years. In addition, policies and procedures should be adopted that include a final review of the financial statement and note disclosure to identify and correct errors and omissions. The Board of Directors should review the draft financial report compiled by Mosaica Education Inc. before it is submitted to the Auditor of State Office.

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

FINDING NUMBER 2008-001 (Continued)

Officials' Response
Management has reviewed the adjustments proposed by the Auditor of State and posted them as recommended. With regards to adjustments that were required regarding the specific date of August 11, 2008 for the charter suspension, management misunderstood communications from the Auditor of State regarding the specific date that should be used for cutoff of reporting. Management has continued the general ledger accounting for this Academy during the period of suspension so it was simply a matter of updating the report to reflect the ongoing activity for the additional eleven days.

FINDING NUMBER 2008-002

Significant Deficiency/Material Weakness

The management agreement entered into with Mosaica Education, Inc. states that the following services would be provided: management of personnel and human resources, board relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment, and facilities.

Monitoring comprises of regular management activities established to oversee whether management's financial objectives are being achieved. Data from financial reports provided by Mosaica Education, Inc may indirectly provide assurance as to the reliability of financial reporting information if it conforms to the users' expectation. Lack of effective legislative monitoring may lead to errors, irregularities, or misappropriation of the Academy's funds.

Starting in February of 2008 Mosaica Education, Inc. provided the Board of Directors a statement of net assets that report the assets, liabilities, and net assets as of the last day of each month and copies of the Mosaica Education invoices, in addition to the monthly bank reconciliations and budget versus actual financial reports that had previously been provided. We recommend that the Board of Directors continue to be provided a listing of all Mosaica employees providing services to the Academy. The Board of Directors should utilize this list to ensure that payroll costs billed to the Academy are reasonable.

The Board of Directors should continue to monitor and review monthly financial reports and supporting documentation for costs charged by Mosaica Education for any unusual or unexpected financial activity and for discrepancies between the Academy's Management Agreement and the actual services provided and billed by Mosaica Education, Inc. Appropriate follow-up should be made regarding any unusual or unexpected balances or transactions.

Officials' Response
From an operational standpoint, periodic reporting of student achievement progress and parent satisfaction surveys were shared with the Board by the administration. In addition, the Charter Sponsor made routine visits to the Academy to monitor compliance with laws and regulations and reported the results of those visits to the Board at monthly Board meetings. Subsequent to February 2008, based on the recommendation of the Auditor of State, management has expanded the monthly reporting packet to include additional recommended information.

ARTS AND SCIENCE ACADEMY
TRUMBULL COUNTY

SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2008 AND
THE PERIOD OF JULY 1, 2008 TO AUGUST 31, 2008

Finding Number	**Finding Summary**	**Fully Corrected?**	**Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain***
2007-001	Board Monitoring- A Statement of Net Assets was not being reviewed; therefore, the Board could not effectively monitor the Academy's assets, liabilities, and net assets throughout the year.	No	Partially corrected: this is being repeated as Finding 2008-002.
2007-002	Monitoring of Purchased Service Expenses	No.	Partially corrected: this is being repeated as Finding 2008-002.

Mary Taylor, CPA
Auditor of State

ARTS AND SCIENCE ACADEMY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009

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