Par Excellence Academy

Licking County

Regular Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

BALESTRA, HARR & SCHERER, CPAs, Inc.
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Piketon, Ohio 45661

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Par Excellence Academy
96 Maholm Street
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Par Excellence Academy, Licking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 13, 2009

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Par Excellence Academy
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For the Fiscal Year Ended June 30, 2008

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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

Par Excellence Academy
96 Maholm Street
Newark, Ohio 43055

We have audited the financial statements of the business-type activities of the Par Excellence Academy, Licking County, Ohio (the Academy), a component unit of the Newark City School District, as of and for the year ended June 30, 2008, which comprise the Academy's basic financial statements 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 business type activities of the Academy, as of June 30, 2008, and the respective changes in financial position and 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 December 17, 2008, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 3 to the basic financial statements, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers 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—an amendment of GASB Statements No. 25 and No. 27.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 17, 2008

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PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

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

The management's discussion and analysis of the Par Excellence Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended 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 2008 are as follows:

- In total, net assets were $39,287 at June 30, 2008.

- The Academy had operating revenues of $491,958, operating expenses of $710,484, non-operating revenues of $247,349, and non-operating expenses of $3,283 for fiscal year 2008. Total change in net assets for the fiscal year was an increase of $25,540.

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.

Reporting the Academy's 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 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 provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table below provides a summary of the Academy's net assets for fiscal year 2008 and 2007.

Net Assets

	2008	2007
Assets		
Current assets	$ 76,208	$ 145,606
Capital assets, net	83,356	57,307
Total assets	159,564	202,913
Liabilities		
Current liabilities	119,422	188,038
Non-current liabilities	855	1,128
Total liabilities	120,277	189,166
Net Assets		
Invested in capital assets	83,356	57,307
Restricted	4,549	924
Unrestricted (deficit)	(48,618)	(44,484)
Total net assets	$ 39,287	$ 13,747

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's net assets totaled $39,287.

At year-end, capital assets represented 52.24% of total assets. Capital assets consisted of computers and other 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.

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

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

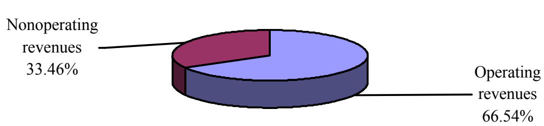
The table below shows the changes in net assets for fiscal year 2008 and 2007.

Change in Net Assets

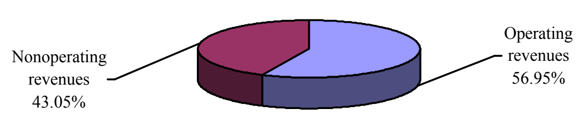
	2008	2007
Operating Revenues:		
State foundation	$ 491,958	$ 456,851
Total operating revenue	491,958	456,851
Operating Expenses:		
Personal services	439,676	365,008
Purchased services	134,777	148,513
Materials and supplies	75,425	185,453
Other	43,576	15,751
Depreciation	17,030	5,928
Total operating expenses	710,484	720,653
Non-operating Revenues/(Expenses):		
Federal and State grants	226,874	317,016
Miscellaneous	20,260	22,750
Donations and contributions	215	5,533
Interest expense	(3,283)	(4,923)
Total non-operating revenues/(expenses)	244,066	340,376
Change in net assets	25,540	76,574
Net assets (deficit) at beginning of year	13,747	(62,827)
Net assets at end of year	$ 39,287	$ 13,747

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

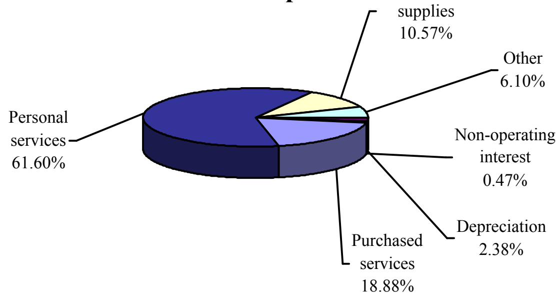
2008 Revenues



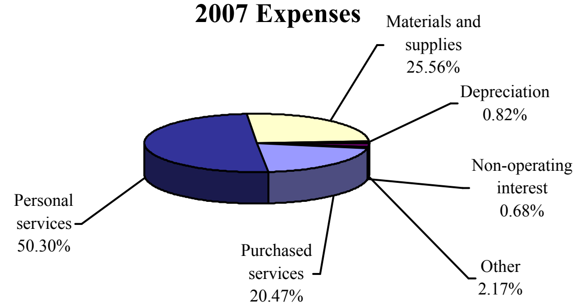
2007 Revenues



2008 Expenses



2007 Expenses



Capital Assets

At June 30, 2008, the Academy had $83,356 invested in computers and equipment. See Note 7 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2008, the Academy had $21,601 loans payable outstanding, and the balance is due within one year.

Current Financial Related Activities

The Academy is sponsored by Newark City School District. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients 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 Hueston Lauderman, Treasurer, Par Excellence Academy, 96 Maholm Street, Newark, Ohio 43055.

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current Assets:	
Cash and cash equivalents	$ 52,390
Intergovernmental receivable	23,818
Total current assets	76,208
Non-Current Assets:	
Capital assets, net	83,356
Total assets	159,564
Liabilities:	
Current liabilities:	
Accounts payable	32,413
Accrued wages and benefits	51,375
Pension obligation payable	12,915
Intergovernmental payable	1,118
Loan payable	21,601
Total current liabilities	119,422
Non-current liabilities:	
Long-term liabilities:	
Compensated absences	855
Total liabilities	120,277
Net Assets:	
Invested in capital assets	83,356
Restricted for:	
State funded programs	408
Federally funded programs	3,863
Other purposes	278
Unrestricted (deficit)	(48,618)
Total net assets	$ 39,287

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

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

Operating revenues:	
State foundation.	$ 491,958
Total revenue	491,958
Operating expenses:	
Personal services.	439,676
Purchased services.	134,777
Materials and supplies	75,425
Other operating expenses	43,576
Depreciation	17,030
Total expenses	710,484
Operating loss	(218,526)
Non-operating revenues/(expenses):	
State grants.	6,000
Federal grants.	220,874
Miscellaneous	20,260
Donations and contributions.	215
Interest expense	(3,283)
Total other non-operating revenues/(expenses).	244,066
Change in net assets	25,540
Net assets at beginning of year	13,747
Net assets at end of year.	$ 39,287

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

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

Cash flows from operating activities:	
Cash received from foundation	$ 491,958
Cash payments for personal services	(429,889)
Cash payments for purchased services	(149,838)
Cash payments to suppliers for goods and supplies	(121,916)
Cash payments for other expenses	(43,346)
Net cash used in operating activities	(253,031)
Cash flows from noncapital financing activities:	
State and Federal grants	292,264
Donations and contributions	215
Miscellaneous receipts	20,260
Net cash provided by noncapital financing activities	312,739
Cash flows from capital and related financing activities:	
Loan principal retirement	(19,724)
Loan interest expense	(3,283)
Acquisition of capital assets	(40,709)
Net cash used in capital and related financing activities	(63,716)
Net decrease in cash and cash equivalents	(4,008)
Cash and cash equivalents at beginning of year	56,398
Cash and cash equivalents at end of year	$ 52,390
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (218,526)
Adjustments:	
Depreciation	17,030
Changes in assets and liabilities:	
Increase in accounts payable	(58,196)
Decrease in accrued wages and benefits	5,517
Decrease in intergovernmental payable	(583)
Decrease in compensated absences payable	(273)
Increase in pension obligation payable	2,000
Net cash used in operating activities	$ (253,031)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Par Excellence Academy, Licking County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide an Academy exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. The Academy's objective is to deliver a unique opportunity for students who show a strong interest or talent in the visual arts which can be delivered to students in grades Kindergarten through 3rd grade. It is to be operated in cooperation with the public schools to provide an appreciation of the visual arts through studies of its history, theory and design. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Newark City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2005. 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 Academy is considered a component unit of the Newark City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by four non-certified staff members and eight certificated full time teaching personnel who provide services to 90 students.

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 has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Interpretations. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

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

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.

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. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total 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, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11) (d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

D. Cash

All monies received by the Academy are deposited in a demand deposit account.

E. 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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Amounts restricted for other purposes includes amounts restricted for school support.

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

F. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, the IDEA B grant, Title I grant, Title V grant, Drug Free School grant, Early Childhood Education grant, Special Education grant, Title IIA grant, Title IIB grant, and the Public Charter School grant. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2008 school year excluding federal and State grants totaled $491,958.

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

Revenues received from the remaining programs are recognized as non-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 includes timing requirements, which specify the year when the resources are required to be used or the fiscal year 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. State and federal grants revenue for the fiscal year 2008 received was $226,874.

G. 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.

H. Compensated Absences Policy

Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off. The Academy records a liability for accumulated unused sick leave time based on the vesting method for eligible and future eligible employees based on State laws.

I. 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 $50. 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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five years.

NOTE 3 - CHANGE 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".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 48 establishes 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.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2008, the carrying amount of the Academy's deposits was $52,390. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, the Academy's bank balance of $71,181 was covered by the Federal Deposit Insurance Corporation.

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 deposit policy for custodial credit risk beyond the requirement of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

At June 30, 2008, receivables consisted of operating grants which are considered collectible within one year and presented on the statement of net assets as "intergovernmental receivable" in the amount of $23,818.

NOTE 6 - PURCHASED SERVICES

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

Professional services	$ 76,538
Property rental and services	9,810
Utilities	19,031
Training	8,314
Postage, advertising and shipping	21,084
Total purchased services	$ 134,777

PAR EXCELLENCE ACADEMY
(A COMPONENT UNIT OF NEWARK CITY SCHOOL DISTRICT)
LICKING COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - CAPITAL ASSETS

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

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Furniture and equipment	$ 64,818	$ 43,079	$ -	$ 107,897
Less: accumulated depreciation	(7,511)	(17,030)	-	(24,541)
Capital assets, net	$ 57,307	$ 26,049	$ -	$ 83,356

NOTE 8 - LONG-TERM OBLIGATIONS

The Academy's long-term obligations during fiscal year 2008 were as follows:

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Due Within One Year
Loans payable	$ 41,325	$ -	$ (19,724)	$ 21,601	$ 21,601
Compensated absences	1,128	855	(1,128)	855	-
Total long-term liabilities	$ 42,453	$ 855	$ (20,852)	$ 22,456	$ 21,601

The Academy obtained a bank loan through a line-of-credit during the year in order to maintain operations. The Academy repaid these loans through the general fund and a balance of $21,601 remains outstanding at year-end and is expected to be repaid over the next year.

Compensated absences will be paid from the fund from which the employee's salaries are paid, which primarily consist of the general fund.

NOTE 9 - OPERATING LEASE-CLASSROOMS

The Academy entered into an agreement with the Newark City School District on August 9, 2005, for premises located at 96 Maholm Street, Newark, Ohio 43055 to use for classrooms. The lease began on August 9, 2005 and ends on July 1, 2008. No lease payments were required to be made during fiscal year 2008.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

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

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 fiscal years ended June 30, 2008, 2007 and 2006 were $9,044, $7,969 and $6,392, respectively; 60.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, 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 a 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.

NOTE 10 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years 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 fiscal year 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. 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were $35,950, $30,366 and $22,505, respectively; 84.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. No contributions were made to the DC and Combined Plans for 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 Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

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 fiscal years ended June 30, 2008, 2007 and 2006 were $5,254, $3,319, and $2,066, respectively; 60.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 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 fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were $652, $507, and $471, respectively; 60.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 fiscal years ended June 30, 2008, 2007 and 2006 were $2,765, $2,336, and $1,731, respectively; 84.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 12 - COMPENSATED ABSENCES

Employees accumulate sick leave at a rate of 5 days per year. Unused sick leave may accumulate. A liability for eligible employees is recorded on the statement of net assets.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

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. The Academy maintains insurance coverage for rental/theft, general liability, contents liability.

The Academy has coverage for employee dishonesty, forgery and alternation coverage and computer equipment.

NOTE 13 - RISK MANAGEMENT - (Continued)

The Academy owns no real estate, but leases facilities located at 96 Maholm Street, Newark, Ohio 43055.

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

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State.

NOTE 14 - CONTINGENCIES

A. Grants

The Academy received financial assistance from a State agency 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 (ODE) 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. The Academy was reviewed during fiscal year 2007, which resulted in a reduction of the amount disbursed by ODE through foundation settlements. The Academy anticipates no adjustments to State funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

C. Litigation

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

The Academy is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 15 - SERVICE AGREEMENT

The Academy entered into a one-year contract on June 4, 2007, with Licking Area Computer Association (LACA) for certain computer, data processing and application services for the fiscal year ended June 30, 2008. A new one-year contract was approved on June 4, 2008, for the fiscal year ending June 30, 2009. Under this contract, the following terms were agreed upon:

1. LACA shall provide fiscal administration services, including access to financial software through OECN, electronic filing of data, user training, software upgrades, disaster recovery, EMIS compliance procedures and providing staff and resources to support the business process.

2. LACA shall provide student administration systems, including access to the Student Information System (SIS), data archival and retrieval support, help desk support, and preprinted forms need for grade cards, schedule cards, grade scans and transcripts.

3. LACA shall provide EMIS system and services, including access to State EMIS software, interface to SIS and OECN financial software, creation and use of custom user defined reports, and district report card assistance.

4. LACA shall provide library services, including access to INFOhio Library Automation software, INFOhio electronic resource support, and INFOhio compliance procedures.

5. LACA shall provide video distance learning services, including coordinating, developing and delivering local professional development activities, daily management and troubleshooting of video network, technical training, and troubleshooting and coordination of specific video related hardware.

6. The fees for the services provided are based on a base fee plus a fee per student which vary per type of service. The total fee is $62.69 per student.

For fiscal year 2008, $3,780 was paid to LACA for services related to the service agreement. To obtain LACA's audited June 30, 2008 financial statements, please contact Mr. Cory Thompson, Treasurer/CFO, 150 Price Road, Newark, Ohio 43055.

NOTE 16 - RELATED PARTY TRANSACTION

Certain members of the Academy's Board are also board members of the Par Excellence Learning Center, a private school. The Academy has an outstanding balance of $7,325 in the form of a line-of-credit reported as "loans payable" which is maintained at Park National Bank, which employs an Academy Board member who was also a board member of the Par Excellence Learning Center during fiscal year 2008.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Par Excellence Academy
96 Maholm Street
Newark, Ohio 43055

We have audited the accompanying financial statements of the business-type activities of Par Excellence Academy, Licking County, a component unit of the Newark City School District, (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 17, 2008 in which we noted that the Academy implemented GASB Statements No. 45, No. 48 and No. 50. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonably assuring about 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 on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards.*

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

December 17, 2008

Mary Taylor, CPA
Auditor of State

PAR EXCELLENCE ACADEMY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 26, 2009

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