

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

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2008***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Springfield Academy of Excellence, Clark County, prepared by Charles E. Harris & Associates, 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 Springfield Academy of Excellence is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 26, 2009

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**SPRINGFIELD ACADEMY OF EXCELLENCE  
CLARK COUNTY  
For the Year Ending June 30, 2008**

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

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Springfield Academy of Excellence (the School) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the School'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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

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

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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

November 21, 2008



## **SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

### Management's Discussion and Analysis

For the Year Ended June 30, 2008

(Unaudited)

The discussion and analysis of Springfield Academy of Excellence (the Academy)'s financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented, in the MD&A.

### **Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- ▶ Total net assets decreased \$60,950 in the fiscal year 2008 from fiscal year 2007. This decrease is due primarily to the negative change in net assets for the period.
- ▶ Total assets decreased \$84,752 from the prior year, due primarily to a decrease in grants receivable and net capital assets.
- ▶ The operating loss reported for fiscal year 2008 was less than the operating loss reported for fiscal year 2007. The primary factor attributing to the operating loss for fiscal year 2008 is the decrease in state and federal grant revenues.

### **Using this Financial Report**

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity; therefore, the entity wide and the fund presentations information is the same.

### **Statement of Net Assets**

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Management's Discussion and Analysis

For the Year Ended June 30, 2008

(Unaudited)

This statement reports the Academy's net assets. However, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated. Table 1 provides a summary of the Academy's net assets for fiscal year 2008 compared with fiscal year 2007.

**Table 1**  
**Net Assets**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current and other assets	\$ 68,375	\$ 79,835
Capital assets, net	<u>625,754</u>	<u>699,046</u>
<b>Total Assets</b>	<u>694,129</u>	<u>778,881</u>
<b>Liabilities</b>		
Current liabilities	162,031	173,490
Non-current liabilities	<u>357,302</u>	<u>369,645</u>
<b>Total Liabilities</b>	<u>519,333</u>	<u>543,135</u>
<b>Net Assets:</b>		
Invested in capital assets (net of related debt)	256,109	317,963
Restricted	-0-	6,101
Unrestricted	<u>(81,313)</u>	<u>(88,318)</u>
<b>Total Net Assets</b>	<u>\$ 174,796</u>	<u>\$235,746</u>

Total net assets of the Academy decreased by \$60,950 from the net assets reported at June 30, 2007, primarily due to the decrease in net capital assets and a decrease in accounts receivables.

Total liabilities of the Academy decreased \$23,802 at June 30, 2008 compared with the same time a year prior. This decrease is due to primarily to a decrease in intergovernmental payables and a decrease in scheduled debt service requirements.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

## Management's Discussion and Analysis

For the Year Ended June 30, 2008

(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, as well as revenue and expense comparisons to fiscal year 2007.

**Table 2**  
**Change in Net Assets**

	<u>2008</u>	<u>2007</u>
<b>Operating Revenues:</b>		
Foundation payments	\$1,133,433	\$1,078,805
Parity Aid	108,654	97,080
Other operating revenues	145,398	185,006
<b>Non Operating Revenues:</b>		
State and Federal Grant Revenue	230,261	273,458
Gifts and Donations	12,200	10,000
Interest earnings	813	5,968
<b>Total Revenues</b>	<u>1,630,759</u>	<u>1,650,317</u>
<b>Operating Expenses:</b>		
Salaries	897,608	1,077,784
Fringe benefits	287,104	337,144
Contract management/fiscal	50,084	51,442
Lease payments	71,510	118,802
Other purchased services	154,487	297,292
Materials and supplies	128,904	262,212
Depreciation	73,292	72,368
<b>Non Operating Expenses:</b>		
Interest and fiscal charges	28,720	32,592
<b>Total Expenses</b>	<u>1,691,709</u>	<u>2,249,636</u>
Change in net assets	(60,950)	(599,319)
Net assets, beginning of year	<u>235,746</u>	<u>835,065</u>
<b>Net Assets, end of year</b>	<u>\$ 174,796</u>	<u>\$ 235,746</u>

Total revenue received by the Academy in fiscal year 2008 decreased \$19,558, compared with fiscal year 2007. As shown on Table 2 above, there was an increase in state foundation payments and parity aid due to increased student enrollment. There was also a decrease in other operating revenue and funding from state and federal grants from 2008 to 2007.

Total expenses for fiscal year 2008 significantly decreased by \$557,927 compared with total expense reported for the prior fiscal year. Salaries, fringe benefits for employees, lease payments, other purchased services and materials and supplies were the main components of the decrease.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Management's Discussion and Analysis

For the Year Ended June 30, 2008

(Unaudited)

**Capital Assets**

At June 30, 2008 the capital assets of the Academy totaled \$924,519 with accumulated depreciation being \$298,765. A break down of the Academy's capital assets is presented below.

**Table 3**  
**Capital Assets, Net of Depreciation**

	<u>2007</u>	<u>2007</u>
Buildings	\$ 458,692	\$ 471,963
Leasehold Improvements	132,212	176,283
Equipment	34,850	50,800
Total	<u>\$ 625,754</u>	<u>\$ 699,046</u>

During the year, the Academy did not purchase any fixed assets. Fiscal year 2008 depreciation expense totaled \$73,292 compared with \$72,368 reported in fiscal year 2007.

**Debt**

At June 30, 2008, the debt obligation of the Academy consisted solely of the construction loan obtained to provide financing for the construction of the new school building. The original principal of the loan was \$409,998. At June 30, 2008 the outstanding principal balance was \$369,645 with \$12,343 becoming due in fiscal year 2009. The Academy made total principal payments of \$11,438 during the fiscal year 2008. See Note 7 of the notes to the basic financial statements for additional information on the Academy's debt obligations.

**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of the Springfield Academy of Excellence, Inc. and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Springfield Academy of Excellence  
623 South Center Street  
Springfield, Ohio 45506

**SPRINGFIELD ACADEMY OF EXCELLENCE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**Assets:**

**Current Assets:**

Cash and Cash Equivalents	\$ 17,440
Receivables:	
Intergovernmental Receivable	44,481
Total Current Assets	<u>61,921</u>

**Noncurrent Assets:**

Security Deposit	6,454
Capital Assets (Net of Accumulated Depreciation)	625,754
Total Noncurrent Assets	<u>632,208</u>

<b>Total Assets</b>	<u><u>\$694,129</u></u>
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**Liabilities:**

**Current Liabilities:**

Accounts Payable	\$ 46,220
Accrued Wages Payable	98,473
Accrued Expenses	4,995
Notes Payable, Current Portion	12,343
Total Current Liabilities	<u>162,031</u>

**Noncurrent Liabilities:**

Notes Payable	<u>357,302</u>
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<b>Total Liabilities</b>	<u><u>519,333</u></u>
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**Net Assets:**

Invested in Capital Assets, Net of Related Debt	256,109
Unrestricted	<u>(81,313)</u>

<b>Total Net Assets</b>	<u><u>\$174,796</u></u>
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**SPRINGFIELD ACADEMY OF EXCELLENCE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Operating Revenues:</b>	
Foundation Payments	\$1,133,433
Parity Aid	108,654
Charges for services	119,748
Miscellaneous operating revenue	25,650
Total Operating Revenues	<u>1,387,485</u>
 <b>Operating Expenses:</b>	
Salaries	897,608
Fringe Benefits	287,104
Contractual management & Fiscal fees	50,084
Lease Payments	71,510
Other purchased services	154,487
Materials and Supplies	128,904
Depreciation	73,292
Total Operating Expenses	<u>1,662,989</u>
 <b>Operating Loss</b>	 (275,504)
 <b>Non-Operating Revenues and (Expenses):</b>	
State and Federal Grant Revenue	230,261
Gifts and Donations	12,200
Interest Earnings	813
Interest and Fiscal Charges	(28,720)
Total Non-Operating Revenues	<u>214,554</u>
 Changes in Net Assets	 (60,950)
 Net Assets at Beginning of Year	 235,746
 <b>Net Assets at End of Year</b>	 <u><u>\$ 174,796</u></u>

See accompanying notes to the basic financial statements.

**SPRINGFIELD ACADEMY OF EXCELLENCE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash from State of Ohio	\$ 1,267,980
Cash from Customers	119,748
Cash Payments to Suppliers for Goods and Services	(431,086)
Cash Payments to Employees for Services and Benefits	(1,170,974)
Other Operating Revenue	25,650
<b>Net Cash Used in Operating Activities</b>	<u>(188,682)</u>

**Cash Flows from Noncapital Financing Activities:**

Federal and State Subsidies	230,262
Gifts and Contributions	12,200
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>242,462</u>

**Cash for from Capital and Related Financing Activities:**

Principal Paid on Notes	(11,438)
Interest Paid on Notes	(28,720)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(40,158)</u>

**Cash Flows from Investing Activities:**

Interest on Investments	812
<b>Total Cash Flows from Investing Activities</b>	<u>812</u>

Net Increase in Cash and Cash Equivalents 14,434

Cash and Cash Equivalents, Beginning of Year 3,006

**Cash and Cash Equivalents, End of Year** \$ 17,440

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

Operating Loss (275,504)

**Adjustments to Reconcile Operating Loss to Net Cash used in Operating Activities:**

Depreciation	73,292
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	25,894
Increase in Accrued Wages Payable	3,430
Increase in Accrued Expenses	4,995
Increase in Accounts Payable	23,323
Decrease in Accrued Interest Payable	(3,034)
Decrease in Intergovernmental Payable	(41,078)
Total Adjustments	<u>86,822</u>

**Net Cash Used in Operating Activities** \$ (188,682)

See accompanying notes to the basic financial statements.

# **SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

## **1. Description of the Academy and Reporting Entity:**

Springfield Academy of Excellence, Inc. (the Academy) is a state non-profit corporation established pursuant to the Ohio Rev. Code Chapters 3314 and 1702. The Academy's objective is to provide education in a nurturing environment that focuses on the development of the whole child. Emphasis is placed on academic achievement as well as physical, psychological, social, and ethical development. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operations under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing after May 29, 2001. 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. Effective July 1, 2006, the Fordham Foundation is the Academy's sponsor for the next five years.

The Academy operates under the direction of a Governing Board of at least seven members. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 18 non-certified and 16 certified full-time teaching personnel.

## **2. Summary of Significant Accounting Policies:**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental non-profit organizations. 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 Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.



**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**2. Summary of Significant Accounting Policies (continued):**

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses, and changes in net assets 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**

Community schools must adopt a spending plan under Ohio Revised Code. Section 5705.391 requires annual appropriations and annual revenues estimates. The contract between the School and its sponsor requires the school to comply with the financial plan that details an estimated budget for each year of the contract.

**D. Cash and Cash Equivalents**

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. For the purposes of the statement of net assets, investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$500. The Academy does have a school building which was constructed during the FY 05 school year.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**2. Summary of Significant Accounting Policies (continued):**

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of leasehold improvements, equipment, and buildings is computed using the straight-line method over estimated useful lives of seven, five, and forty years, respectively. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and the State Parity Aid (DPIA) Program. These programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met. Federal and state grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grant have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**G. Accrued Liabilities Payable**

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2008, including:

**Wages Payable** – salary payments made after year-end that were for services rendered in fiscal year 2008. Teaching personnel are paid in 24 equal installments, ending with the last pay period in July, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2008 for all salary payment made to teaching personnel during the month of July 2008.

**H. Security Deposits**

The Academy entered into several leases for the use of the building for the administration of the Academy, computer equipment, and a phone system for, which security deposits were paid at the signing of the agreement. These amounts are held by the respective lessor/vendor.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**2. Summary of Significant Accounting Policies (continued):**

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. 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. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include foundation payments and disadvantaged pupil impact aid received from the State of Ohio. Operating expenses are necessary costs incurred to support the Academy's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various state and federal grants, as well as interest revenue and expense comprise the non-operating revenues and expenses of the Academy.

**K. Estimates**

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

**3. Cash Deposits:**

At June 30, 2008, the carrying amount of the Academy's deposits was \$17,440 and the bank balance was \$48,886, all of which was covered by the Federal Deposit Insurance Corporation (FDIC).

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**4. Intergovernmental Receivables:**

Receivables at June 30, 2008, consisted of an intergovernmental grant from the Federal government, which is considered to be collectible in full and included the following principal components:

<u>Grant Program</u>	
Title I Grant	\$ 6,997
Food Service Reimbursement	10,280
Title II-A Innovative Grant	585
Title IV-A Safe and Drug Free	619
Latchkey	2,092
TANF, After School	23,908
Intergovernmental Receivable	<u>\$ 44,481</u>

**5. Capital Assets:**

A summary of the Academy's capital assets at June 30, 2008, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets:</b>				
Buildings	\$ 498,505	\$ -	\$ -	\$ 498,505
Leasehold Improvements	308,495	-	-	308,495
Equipment	117,519	-	-	117,519
<b>Total Assets</b>	<u>\$ 924,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 924,519</u>
 <b>Depreciation:</b>				
Buildings	\$ (26,542)	\$ (13,271)	\$ -	\$ (39,813)
Leasehold Improvement	(132,212)	(44,071)	-	(176,283)
Equipment	(66,719)	(15,950)	-	(82,669)
<b>Accumulated Depreciation</b>	<u>\$ (225,473)</u>	<u>\$ (73,292)</u>	<u>\$ -</u>	<u>\$(298,765)</u>
<b>Total Net Assets</b>	<u>\$ 699,046</u>	<u>\$ (73,292)</u>	<u>\$ -</u>	<u>\$ 625,754</u>

**6. Risk Management:**

**Property and liability** – The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the Academy contracted with Cincinnati Insurance Co. for property, general liability, auto, and excess liability insurance. Property is covered for \$237,900 and contents are insured for \$343,900. There is a deductible of \$250 and property and contents

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**6. Risk Management (continued):**

are 90% co-insured. Commercial general liability covers each single occurrence for \$1 million with a \$2 million general aggregate limit. The excess liability is covered for \$1 million for each occurrence and \$1 million in the aggregate.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

**Worker's Compensation** – The Academy pays the State Worker's Compensation System a premium for employee injury by the State.

**Employee Insurance Benefits** – The Academy has contracted through an independent agent to provide employee medical insurance to its full-time employees who work 25 or more hours per week.

**7. Notes Payable:**

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

<b>Obligation</b>	<b>Beginning Balance</b>	<b>Principal Payments</b>	<b>Ending Balance</b>	<b>Amount Due in One Year</b>
Construction loan – Huntington National Bank at 7.64%	<u>\$ 381,083</u>	<u>\$ 11,438</u>	<u>\$ 369,645</u>	<u>\$12,343</u>
	<u>\$ 381,083</u>	<u>\$ 11,438</u>	<u>\$ 369,645</u>	<u>\$12,343</u>

The Academy entered into a construction loan with Huntington National Bank for the construction of a new school building. The total amount of the loan was set at \$409,998. The interest rate was set at Prime plus one (1%). For the fiscal year 2008 the interest rate was 7.64%. The loan was guaranteed in full by the Church of Jesus, Inc. through a third mortgage secured on a real property located at 623 South Center Street, Springfield, Ohio. In addition, the Ohio School Facilities Commission has guaranteed 85% of the project for the first 15 years of the loan.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**7. Notes Payable (continued):**

Future principal obligations of the loan are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 12,343	\$ 27,815
2010	13,320	26,838
2011	14,274	25,784
2012	15,511	24,646
2013	16,739	23,419
2014-2018	105,788	95,000
2019-2023	154,815	45,975
2024	36,755	1,463
Total	<u>\$ 369,545</u>	<u>\$270,940</u>

**8. Defined Benefit Pension Plans:**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement 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 the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% 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; at June 30, 2007 (latest information available), 10% 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. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$34,968, 35,757 and 39,946, respectively; 100% has been contributed for each of the fiscal years.

## **SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

### **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 Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 percentage that varies based on years of service, or an allowance based on member 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% 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 DB 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 credited services who become 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 amount balance.

Funding Policy - For the fiscal year ended June 30, 2007(the latest information available), plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% 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% for members and 14% 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 \$96,648, \$116,046, and \$121,651 respectively; 100% has been contributed for each of the fiscal years.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS of the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. The Academy's liability is 6.2% of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employee 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. At June 30, 2007 (the latest information available), the health care allocation was 4.18%. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, the amount was \$35,800. The Academy's contribution for the years ended June 30, 2008, 2007 and 2006 were \$15,957, \$12,535 and \$17,042, respectively.

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.

**B. State Teachers Retirement System**

Plan Description – Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://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



**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$7,434, \$8,926 and \$8,689, respectively.

**10. Contingencies:**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and 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 results of the review could result in state funding being adjusted. The Ohio Department of Education completed its review of the Academy's enrollment data for fiscal year 2008, which did not result in any material adjustments to the funding received.

**C. Litigation**

A lawsuit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the state constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the State public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Academy is not presently determinable.

**11. Operating Leases:**

The Academy is leasing the use of land, office and classroom space, and various pieces of equipment through operating leases with the Church of Jesus Family Worship Center (the Church), the Precious Gifts Day Care Center (the Day Care Center) and Modular Designs. Lease obligations paid to the Church for fiscal year 2008 totaled \$27,560. Lease obligations to the Day Care Center totaled \$21,700 in fiscal year 2008. Lease obligations paid to Modular Designs totaled \$37,800.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**11. Operating Leases: Continued**

Individual lease obligations include:

- A ninety-nine year lease between the Church and the Academy which stipulates the Academy will be permitted to use Church grounds for an annual fee of one dollar for construction of the new school building. For fiscal year 2008, the lease was forgiven by the Church. Lease payments are expected to remain the same for the remaining term of the lease.
- The Academy signed a lease agreement with Modular Designs for 12 double-unit modular systems. During fiscal year 2008, the Academy paid \$37,800 to Modular Designs related to this lease. Lease payments are expected to remain the same for the remaining term of this lease.
- A lease of the Annex and other building space from the Church, beginning October 1, 2001 through July 1, 2008 in the amount of \$3,000 per month. During fiscal year 2008, the Academy paid \$27,560 related to this lease agreement.
- The Academy leases food storage space and freezer space and certain equipment from the Day Care Center. Lease obligations related to these items totaled \$21,700 during the fiscal year. Lease payments are expected to remain the same for the remaining term of the leases.

**12. Related Parties:**

During the fiscal year ended June 30, 2008, the Academy made payments on several lease agreements with the Day Care Center and the Church, which are affiliated with the Director and a Trustee of the Academy. The Director is the operator of the Day Care Center and the Trustee is the Pastor of the Church. Lease expenses recognized and paid to the Day Care Center were \$21,700 and lease expenses and janitorial expenses recognized and paid to the Church were \$33,680 for the fiscal year ended June 30, 2008.

**SPRINGFIELD ACADEMY OF EXCELLENCE, INC.**

Notes to the Basic Financial Statements

June 30, 2008

**14. Other Purchased Services:**

During the fiscal year ended June 30, 2008, other purchased service expenses for services rendered by various vendors were as follows:

Professional and technical services	\$ 81,993
Property services	8,260
Communications	4,906
Utilities	33,936
Transportation	25,211
Other	<u>181</u>
Total	<u>\$154,487</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the financial statements of the Springfield Academy of Excellence (the "School") as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued a report thereon dated November 21, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing 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 a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

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

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 reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect 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 matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we have reported to management of the Academy in a separate letter dated November 21, 2008.

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

***Charles E. Harris and Associates, Inc.***

November 21, 2008

SPRINGFIELD ACADEMY OF EXCELLENCE  
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2008

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-SAE-01	The School's Management and Board did not react to negative operating trends in a timely fashion.	YES	Finding no longer valid.



**Mary Taylor, CPA**  
Auditor of State

**SPRINGFIELD ACADEMY OF EXCELLENCE**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2009**