ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE PERIOD JULY 1, 2006 TO JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

TABLE OF CONTENTS

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Academic Acceleration Academy
Franklin County
1990 Jefferson Ave.
Columbus, Ohio 43211

To the Board of Directors:

We have audited the accompanying basic financial statements of the Academic Acceleration Academy, Franklin County, Ohio (the Academy) as of and for year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Academic Acceleration Academy, Franklin County, Ohio as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2008, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

Mary Taylor, CPA
Auditor of State

February 14, 2008

ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The discussion and analysis of the Academic Acceleration Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2007. 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 the year ended June 30, 2007 are as follows:

- In total, the net assets were $180,167 at June 30, 2007.

- The Academy had operating revenues of $564,536 and operating expenses of $597,677 for the year ended June 30, 2007. The Academy also received $159,877 in state and federal grants and $6,331 in interest income during the year ended June 30, 2007.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The *Statement of Cash Flows* provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy'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 asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net 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 6 and 7 of this report. The statement of cash flows can be found on page 8.

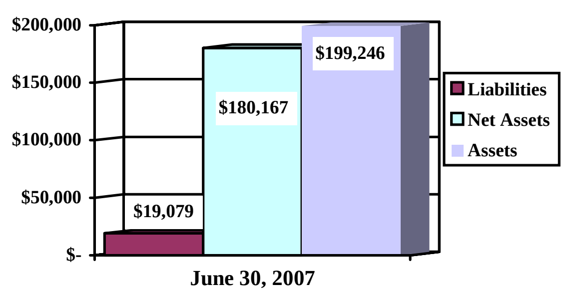
The table below provides a summary of the Academy's net assets for year ended June 30, 2007.

Net Assets

	2007
Assets	
Current assets	$ 147,809
Capital assets, net	51,437
Total assets	199,246
Liabilities	
Current liabilities	19,079
Total liabilities	19,079
Net Assets	
Invested in capital assets	51,437
Restricted	15,334
Unrestricted	113,396
Total net assets	$ 180,167

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

Net Assets



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Academy's assets exceeded liabilities by $180,167. Of this total, $113,396 is unrestricted.

At year-end, capital assets represented 25.82% of total assets. Capital assets consisted of computers and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

The table below shows the changes in net assets for year ended June 30, 2007.

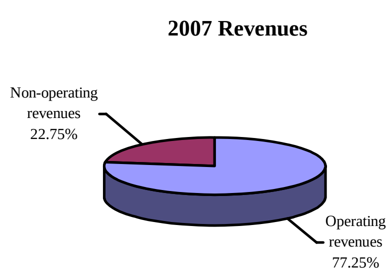
ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

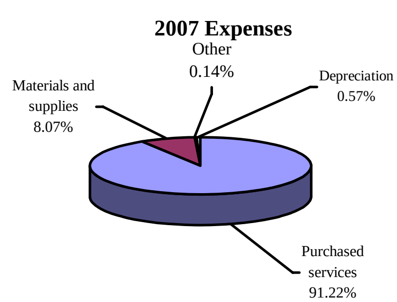
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)

Change in Net Assets

	2007
Operating Revenues:	
State foundation	$ 564,536
Total operating revenue	564,536
Operating Expenses:	
Purchased services	545,221
Materials and supplies	48,225
Other	795
Depreciation	3,436
Total operating expenses	597,677
Non-operating revenues:	
Federal and state grants	159,877
Interest income	6,331
Total non-operating revenues	166,208
Change in net assets	$ 133,067

The charts below illustrate the revenues and expenses for the Academy for year ended June 30, 2007.





Capital Assets

At June 30, 2007, the Academy had $51,437 invested in computers and equipment. See Note 4 in the notes to the basic financial statements for more detail on capital assets.

Economic Conditions and Outlook

The Academy is sponsored by the Columbus Public School District. This is the Academy's first year of operation. The Academy relies primarily on State Foundation funds.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Patty Auck, Treasurer, Delaware Union Educational Service Center, 4565 Columbus Pike, Delaware, Ohio 43015-8969.

ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:		
Current Assets:		
Cash and cash equivalents	$	146,858
Prepayments		951
Total current assets		147,809
Non-Current Assets:		
Capital assets, net.		51,437
Total assets.		199,246
Liabilities:		
Accounts payable		19,079
Total liabilities		19,079
Net Assets:		
Invested in capital assets		51,437
Restricted for:		
State funded programs.		3,000
Federally funded programs.		12,334
Unrestricted.		113,396
Total net assets.	$	180,167

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

Operating revenues:	
State foundation.	$ 564,536
Total revenues	564,536
Operating expenses:	
Purchased services.	545,221
Materials and supplies	48,225
Other operating expenses	795
Depreciation	3,436
Total expenses	597,677
Operating loss	(33,141)
Non-operating revenues:	
Federal and state grants	159,877
Interest income	6,331
Total non-operating revenues	166,208
Change in net assets.	133,067
Net assets at beginning of period.	47,100
Net assets at end of period.	$ 180,167

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Cash received from foundation.	$ 564,536
Cash payments for purchased services	(527,093)
Cash payments for materials and supplies	(48,225)
Cash payments for other expenses	(795)
Net cash used in operating activities	(11,577)
Cash flows from noncapital financing activities:	
Federal and state grants	159,877
Net cash provided by noncapital financing activities	159,877
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(54,873)
Net cash used in capital and related financing activities	(54,873)
Cash flows from investing activities:	
Interest received	6,331
Net cash provided by investing activities	6,331
Net increase in cash and cash equivalents	99,758
Cash and cash equivalents at beginning of period . .	47,100
Cash and cash equivalents at end of period.	$ 146,858
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (33,141)
Adjustments:	
Depreciation.	3,436
Changes in assets and liabilities:	
Increase in prepayments	(951)
Increase in accounts payable	19,079
Net cash used in operating activities.	$ (11,577)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL

The Academic Acceleration Academy (the "Academy") is a nonprofit corporation established by Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Columbus Public School District (the "Sponsor"). The Academy is designed to serve high school students who are over-aged for their grade placement for participation in an intensive program to accelerate graduation from high school and transition to an appropriate post secondary placement. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Academy may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was certified by the State of Ohio Secretary of State as a non-profit organization on March 7, 2006. The Academy was approved for operation under a contract with the Sponsor for five years commencing July 1, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. Delaware-Union Educational Service Center serves as the fiscal agent for the Academy (see Note 6).

The Academy operates under the direction of a seven-member Board of Directors which consists of individuals who represent the interests of the parents served by the Academy.

The Sponsor, under a purchased services basis with the Academy, provides planning, instructional, administrative and technical services. Personnel providing services to the Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB Statements or Interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts and spending plans. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

D. Cash and Investments

Cash received by the Academy is maintained in a demand deposit account.

During fiscal year 2007, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment consists of computers and equipment are depreciated over three years.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

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

G. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, Title I grant, Title II-A, Title II-D and the EMIS grant. Revenues received from the foundation program is recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

H. Accrued Liabilities

The Academy has recognized certain expenses due but unpaid as of June 30, 2007. These expenses are reported as accrued liabilities in the accompanying financial statements.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net assets. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

K. Estimates

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

NOTE 3 - CASH AND CASH EQUIVALENTS

A. Cash

At June 30, 2007, the carrying amount of all Academy deposits was $30,527. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, all of the Academy's bank balance of $75,682 was covered by Federal Deposit Insurance Corporation.

NOTE 3 - CASH AND CASH EQUIVALENTS - (Continued)

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.

B. Investments

As of June 30, 2007, the Academy had the following investments and maturities:

Investment type	Fair Value	6 months or less
STAR Ohio	$ 116,331	$ 116,331

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

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

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2007:

Investment type	Fair Value	% of Total
STAR Ohio	$ 116,331	100

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

Cash and Investments per footnote	
Carrying amount of deposits	$ 30,527
Investments	116,331
Total	$ 146,858
Cash and investments per Statement of Net Assets	
Cash and Cash Equivalents	$ 146,858
Total	$ 146,858

NOTE 4 - CAPITAL ASSETS

Capital asset activity for year ended June 30, 2007, was as follows:

	Balance at 7/1/2006	Additions	Reductions	Balance at 6/30/2007
Equipment	$ -	$ 54,873	$ -	$ 54,873
Less: accumulated depreciation	-	(3,436)	-	(3,436)
Net capital assets	$ -	$ 51,437	$ -	$ 51,437

NOTE 5 - PURCHASED SERVICES

For the year ended June 30, 2007, purchased services expenses were as follows:

Professional services	$ 503,611
Utilities	33,321
Insurance	6,659
Training	1,630
Total	$ 545,221

NOTE 6 - SERVICE AGREEMENTS

A. Delaware-Union Educational Service Center

The Academy entered into a one-year agreement on July 1, 2006, with Delaware-Union Educational Service Center (the “ESC”) for fiscal services for the Academy for fiscal year 2007. Under the contract, the ESC is required to provide the following services:

1. The ESC will provide to the Academy fiscal support to ensure the efficient and effective operation of the Academy, that being the establishment of processes and procedures that will affect the proper receipt and maintenance of all funds due to the Academy, payment of all its obligations, preparation of all appropriate revenue and expenditure reports, and a system of controls that guarantee the smooth operation of the Academy as it fulfills its obligations.

2. The ESC expressly identifies and defines its function as providing fiscal services to the Academy.

As compensation for the performance of such fiscal services involving the functions of school treasurer, the Academy shall pay the ESC three and one-half percent (3.5%) of the total payments received by the Academy from state revenue funds. Payment shall be made to the ESC on a quarterly basis. During the year ended June 30, 2007, the Academy paid $22,395 for fiscal services to the ESC.

NOTE 6 - SERVICE AGREEMENTS - (Continued)

B. Columbus Public School District

The Community School Sponsorship Contract between the Academy and Columbus Public School District (the "Sponsor") outlined the specific payments to be made by the Academy to the Sponsor during fiscal year 2007. Under the Community School Sponsorship Contract, the Academy agrees to pay the following:

1. The Academy shall annually pay to the Sponsor from the funding provided from the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code, 3% of the receipts calculated against the state foundation formula. The schedule for such payments shall be as mutually agreed by the parties, and the amount of such payments may be varied by mutual agreement parties.

2. In the event that the Sponsor provides special education and related services required by a student's IEP, the Academy shall pay to the Sponsor the funds received by the Academy from the Department of Education.

3. The Academy shall pay the Sponsor such other amounts as are mutually agreed, including fees for any services provided to the Academy by the Sponsor.

4. Upon the dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

During the year ended June 30, 2007, the Academy made payments of $264,857 to the Sponsor, which includes the 3 percent fee plus the Academy's reimbursement for payroll and benefit expenditures.

Furthermore, the Academy and Sponsor have entered into a lease agreement for a school building. The Academy has agreed to pay the Sponsor $2 annually for this lease.

NOTE 7 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For year ended June 30, 2007, the Academy had general liability insurance through Indiana Insurance.

NOTE 8 - PENSION PLANS

The Academy contracted with the Columbus Board of Education to provide employee services and pay those employees. However, these contract services did not relieve the Academy of the obligation for remitting pension contributions. The retirement systems considered the Academy as the Employer-of-Record and the Academy ultimately responsible for remitting contributions to each of the systems noted below:

NOTE 8 - PENSION PLANS - (Continued)

A. School Employees Retirement System

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, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org under Forms and Publications.

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 2007, 10.68 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, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2007 was $449; 100 percent has been contributed for fiscal year 2007.

B. State Teachers Retirement System of Ohio

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, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 8 - 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligations to STRS Ohio for fiscal year ended June 30, 2007 was $29,473; 100 percent has been contributed for fiscal year 2007.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled $2,105 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was $3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were $282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled $64.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were $158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of $295.6 million. SERS had 59,492 participants eligible to receive benefits.

NOTE 10 - CONTINGENCIES

A. Grants

The Academy received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. 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.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy anticipates insignificant adjustments to state funding for fiscal year 2007.

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

Academic Acceleration Academy
Franklin County
1990 Jefferson Ave.
Columbus, Ohio 43211

To the Board of Directors:

We have audited the basic financial statements of Academic Acceleration Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-001 is also material weakness.

We also noted a certain internal control matter that we reported to the Academy's management in a separate letter dated February 14, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated February 14, 2008.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 14, 2008

ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

Finding 2007-001

Significant Deficiency/Material Weakness

Financial Statement Adjustments

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

The Academy made the following audit adjustment to the June 30, 2007 financial statements:

1) To record the understatement of accounts payable in the amount of $16,936.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the Academy and were not posted to the June 30, 2007 financial statements.

1) To record additional capital assets of $10,961.

2) To record the understatement of accounts payable in the amount of $2,952.

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

The Treasurer should review the adjustments and reclassifications identified above and ensure that similar errors are not reported on financial statements in subsequent years.

Officials' Response:

The Academic Acceleration Academy Board of Directors, Chief Academic Officer (CAO) and Treasurer fully recognize the importance and impact of proper financial reporting presented for financial statements. As such, proper review of contractual agreements approved by the Board shall be recognized by the CAO and Treasurer with the timely creation of the requisition and purchase order which covers the contractual terms. Through this measure, the CAO and Treasurer will work cooperatively in order to ensure compliance.

ACADEMIC ACCELERATION ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2008