OMEGA SCHOOL OF EXCELLENCE
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR FOURTEEN MONTHS ENDED AUGUST 31, 2009

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

Mary Taylor, CPA
Auditor of State

Board of Trustees
Omega School of Excellence
6500 Poe Avenue, Suite 350
Dayton, Ohio 45414

We have reviewed the *Report of Independent Accountants* of the Omega School of Excellence, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through August 31, 2009. 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 Omega School of Excellence is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 4, 2010

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OMEGA SCHOOL OF EXCELLENCE
MONTGOMERY COUNTY, OHIO
For the Fourteen Months Ending August 31, 2009

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REPORT OF INDEPENDENT ACCOUNTANTS

Omega School of Excellence
Montgomery County
6500 Poe Avenue, Suite 350
Dayton, Ohio 45414

The Board of Trustees:

We have audited the accompanying basic financial statements of the Omega School of Excellence (the School) as of and for the fourteen months ended August 31, 2009, 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 August 31, 2009, and the changes in its financial position and its cash flows for the period 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 7 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.

As described in Note 11 to the financial statements, Omega School of Excellence has ceased operations effective June 15, 2009.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2009 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.
December 10, 2009

The discussion and analysis of Omega School of Excellence's (the School) financial performance provides an overall review of the financial activities for the fiscal period ended August 31, 2009. The intent of this discussion and analysis is to look at the School'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 School'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.

Financial Highlights

Key financial highlights for the Omega School of Excellence during the period ended August 31, 2009 are as follows:

- Total net assets of the School decreased $65,403 during this 14-month period. Ending net assets of the School were $0 compared with $65,403 at June 30, 2008.
- Total assets decreased $117,703 from the prior year audit and total liabilities decreased by $52,299 from the prior year audit.
- The School's operating loss for this 14-month period was $86,387 compared with an operating loss of $279,097 reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the School, 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 School 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.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property 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 School's net assets for August 31, 2009 compared to those reported for fiscal year 2008 and fiscal year 2007.

Table 1
Net Assets

	2009	Restated 2008	2007
Assets:			
Current Assets	$ 14,392	$ 132,095	$ 146,807
Capital assets, net	-	-	34,690
Total Assets	14,392	132,095	181,497
Liabilities			
Current liabilities	14,392	66,691	41,391
Total Liabilities	14,392	66,691	41,391
Net Assets:			
Invested in capital assets	-	-	34,690
Restricted	-	19,029	8,056
Unrestricted	-	46,375	97,360
Total Net Assets	$ -	$ 65,403	$ 140,106

The total assets of the School decreased by $117,703, which represents a 89.1 percent decrease, from total assets reported for fiscal year 2008.

Intergovernmental grants receivables reported at August 31, 2009 were $0. The accounts receivables reported at August 31, 2009 were $11,505 lower than the previous fiscal year.

All capital assets for the School were sold at public auction prior to the close of the fiscal year in 2008 in alignment with Ohio community school closure requirements. (Note: Omega School of Excellence received approval from the School's sponsor, The Fordham Foundation, to suspend school operations at the end of the 2007-2008 school year. The Omega School of Excellence Board approved the official termination of the School's operations on June 15, 2009.)

Total liabilities of the School decreased $52,299 over those reported in fiscal year 2008.

The total net assets reported for fiscal year 2009 decreased by $65,403. Unrestricted net assets decreased by $46,375 to $0. Restricted net assets decreased by $19,029 because unspent federal and state funds were properly returned to the appropriate agencies.

Table 2 shows the changes in net assets for the 14-month period ended August 31, 2009 as compared to changes reported for fiscal year 2008 and fiscal year 2007.

Table 2
Change in Net Assets

	2009	Restated 2008	2007
Operating Revenues:			
Foundation Payments	$ -	$ 704,294	$ 474,471
Other Operating Revenues	-	10,587	2,690
Non Operating Revenues:			
State and Federal Grants	1,000	105,277	348,285
Contributions	15,705	106,500	65,100
Loss of Fixed Asset Donation	-	(7,383)	-
Other Non-Operating Revenues	4,279	-	-
Total Revenues	$ 20,984	$ 919,275	$ 890,546
Operating Expenses:			
Salaries & Wages	$ 140	$ 459,021	$ 326,153
Fringe Benefits	18,085	94,802	139,359
Rent	-	8,000	-
Contracted Fiscal Services	30,612	87,015	110,367
Other Purchased Services	35,772	267,247	210,691
Materials and Supplies	1,496	33,123	22,756
Depreciation		13,079	13,003
Other Expenses	282	31,691	10,699
Total Expenses	$ 86,387	$ 993,978	$ 833,028
Change in Net Assets	$ (65,403)	$ (74,703)	$ 57,518
Net Assets, Beginning of Year	65,403	140,106	82,588
Net Assets, End of Year	$ -	$ 65,403	$ 140,106

Total revenue decreased $898,291 during this 14-month period compared with the prior fiscal year due to the closure of the school.

Expenses reported for this 14-month period were $907,591 less than the expenses reported for fiscal year 2008 due to the closure of the school.

Capital Assets

At August 31, 2009, the School had no capital assets. There were no purchases which met the School's capitalization threshold of $500 during the year.

Debt

At August 31, 2009, the School had no outstanding debt.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Omega School of Excellence and to show the School'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 the Treasurer of Omega School of Excellence, 6500 Poe Avenue, Suite 350, Dayton, Ohio 45414.

OMEGA SCHOOL OF EXCELLENCE

STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2009

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	10,791
Accounts Receivable		3,601
Total Current Assets		14,392
TOTAL ASSETS	$	14,392
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	5,600
Unearned Revenue		8,792
Total Current Liabilities		14,392
TOTAL LIABILITIES	$	14,392
NET ASSETS	$	-

See accompanying notes to the financial statements.

OMEGA SCHOOL OF EXCELLENCE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED AUGUST 31, 2009

OPERATING REVENUES	$	-
OPERATING EXPENSES		
Salaries	$	140
Fringe benefits		18,085
Contractual Fiscal / Operations Services		30,612
Other Purchased Services		35,772
Materials and Supplies		1,496
Other expenses		282
Total operating expenses	$	86,387
Operating loss	$	(86,387)
NON-OPERATING REVENUES		
State and Federal grant revenue	$	1,000
Contributions		15,705
Other		4,279
Total non-operating revenues	$	20,984
Changes in net assets	$	(65,403)
Net assets as beginning of year		65,403
Net assets at end of year	$	-

See accompanying notes to the financial statements.

OMEGA SCHOOL OF EXCELLENCE
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED AUGUST 31, 2009

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash Flows from Operating Activities		
Cash Payments to Employees for Services and Benefits	$	(55,711)
Cash Payments to Suppliers for Goods and Services		(74,131)
Net Cash Used for Operating Activities	$	(129,842)
Cash Flows from Noncapital Financing Activities		
Federal and State Grant Reimbursements	$	(13,436)
Contributions		24,500
Other		15,780
Net Cash Provided by Noncapital Financing Activities	$	26,844
NET INCREASE IN CASH AND CASH EQUIVALENTS	$	(102,998)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	$	113,789
CASH AND CASH EQUIVALENTS, END OF YEAR	$	10,791
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(86,387)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Increase(Decrease) in Accounts Payable		(5,968)
Accrued Wages and Benefits		(32,072)
Intergovernmental Payable		(5,415)
Total Adjustments		(43,455)
Net Cash Used for Operating Activities	$	(129,842)

See accompanying notes to the financial statements.

Omega School of Excellence

Notes to the Basic Financial Statements
For the Period Ended August 31, 2009

1. Description of the School and Reporting Entity:

Omega School of Excellence (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grade 5 through 8. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School's had one fiscal service provider during the 2009 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2009 fiscal period. The Thomas B. Fordham Foundation was the School's sponsor in fiscal year 2009 (Note 14). The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a six-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controlled the School's instructional/support facility staffed by 1 non-certified and 11 certificated full time teaching personnel who provide services to 101 students during the 2007-2008 school year (the final year of instruction). During the 14-month close-out period, the Board and the Sponsor provided oversight to the fiscal and compliance closure procedures.

The School entered into a service agreement with Mangen & Associates in April 2009 to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School (Note 9).

The Board of the School voted to suspend operations after the end of the 2007-2008 school year and terminated the operations on June 15, 2009 (Note11).

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School 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 School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's 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, 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

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. Improvements are capitalized. The cost 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.

Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of eight years. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. The School had no capital assets during the period ending August 31, 2009.

F. 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.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of August 31, 2009, including:

Accounts payable – Encumbered for Charles Harris & Associates ($4,000), Kennedy Cottrell and Richards ($1,200), and the Ohio Auditor of State ($400).

Unearned Revenue – Return of unearned contributions from the Fordham Foundation ($8,792). Note: Unearned contributions from the Fordham Foundation may be used for close-out expenses. Therefore, expenses from unknown close-out activities (at the time of this report) may reduce the amount returned to the Foundation.

J. Federal Tax Exemption Status

The School 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.

K. 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.

Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The School had no net assets at August 31, 2009.

3. Deposits and Investments:

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 School.

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

At August 31, 2009, the carrying amount of the School's deposits was $10,791 and the bank balance was $48,794 (a check for $38,000 to the Fordham Foundation was processed, but not yet cashed as of 8/31/09). Of the bank deposits, all were collateralized under FDIC insurance. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

4. Capital Assets - There was no beginning capital assets and no capital asset activity during the period ended August 31, 2009.

5. Risk Management:

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For part of the year ended August 31, 2009, the School contracted with Indiana Insurance Company for its insurance coverage as follows:

General Liability per occurrence ($0 Deductible)	$1,000,000
General Liability aggregate	$2,000,000

The policy was cancelled effective September 1, 2008. Settlement amounts have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

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

6. Defined Benefit Pension Plans:

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statue per 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 43215-3476 or by calling toll free (800) 878-5853. It is also posted on 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 School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; at June 30, 2008 (the latest information currently available), 9.82 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 a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $273, $27,251 and $24,963 respectively; 100 percent has been contributed for all fiscal years. There was no covered payroll during the period ended August 31, 2009.

B. State Teachers Retirement System

The School 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 43215-3371 or by calling toll free (800) 227-7877, or by visiting STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member 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.

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, 2008 (the latest information currently available), plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $38,860, $38,012 and $96,490 respectively; 100 percent has been contributed for all fiscal years. There was no covered payroll during the period ended August 31, 2009.

7. Post-employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal period ended August 31, 2009, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care. For the School, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2008, 2007, and 2006 was $2,989, $20,300, and $6,116 respectively. There was no covered payroll during the period ended August 31, 2009.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling too-free (888) 227-7877.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

A. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retires and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 (latest information currently available) was $93.50; SERS' reimbursement to retires was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The School contributions for the year ended June 30, 2008 were $19, which equaled the required contributions for the year. There was no covered payroll during the period ended August 31, 2009.

B. Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008 (latest information currently available), the health care allocation was 4.18%. The actuarially required contribution (ARC), as of the December 31, 2008 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School contributions for the years ended June 30, 2008, 2007, and 2006 were $19, $8,500, and $2,439 respectively. There was no covered payroll during the period ended August 31, 2009.

An Additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated accordingly to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater then 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008 (latest information currently available), the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

8. 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 School, any such disallowed claims will not have a material adverse effect on the financial position of the School at August 31, 2009.

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 provision of the Ohio Community Schools Act, O.R.C. Section 3314, violates 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 in Ohio. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

9. Contracted Fiscal Services:

The School entered into a contract with Mangen & Associates (M&A), which is an education finance consulting company, to provide basic treasurer and financial/operations management services for the fiscal period 2009. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform basic treasurer services, financial management services and basic CSADM/EMIS/DASL services. The total fee paid for these services during fiscal year 2009 was $30,612.

10. Other Purchased Services:

During the fiscal period ended August 31, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	$ 31,295
Property Services	3,563
Communications	914
Total Purchased Services	$ 35,772

11. Operations Suspended June 30, 2008, Terminated on June 15, 2009:

After June 30, 2008, the School suspended operations. All fixed capital assets were sold. Cash and equivalents at August 31, 2009 were used to satisfy remaining liabilities of the School. The Omega School of Excellence Board voted to terminate operations on June 15, 2009. A final check will be issued to the Fordham Foundation and to the Ohio Department of Education (if applicable) for the balance of all remaining funds once all liabilities have been satisfied and the final close-out audit has been completed.

12. Restatement of Fund Balance/Net Assets:

Prior period adjustments **-** Prior period adjustments are the net effect of changes resulting from the restatement of previous financial statements. Because such amounts are the product of changes from a prior period, they are not included as part of the results of operations of the current period. Rather, they are reported as a direct adjustment to beginning fund balance/net assets to restate that amount to what it would have been if the changes were recorded during the prior reporting period.

The School recorded two prior period restatements in fiscal year 2009 as a result of the following:

1. Accrued revenues in the State and Federal grants – The State and Federal grants recorded during fiscal year 2008 were not technically earned during the fiscal 2008 reporting period. As a result, the non-operating revenues from State and Federal Grants in fiscal year 2008 were overstated by $17,636.
2. Accrued revenues in the Contributions – The revenues from Contributions recorded during fiscal year 2008 were not technically earned during the fiscal year 2008 reporting period. As a result, the non-operating revenues from Contributions in fiscal year 2008 were overstated by $62,500.

13. Subsequent Event:

All items that were listed as accounts receivable on August 31, 2009 have been received as of September 16, 2009. There are no longer any outstanding receivables.

14. Sponsorship Agreement:

The Thomas B. Fordham Foundation was the School's sponsor for the fiscal period ended August 31, 2009. Since the School suspended operations on June 30, 2008 and ceased operations as of June 30, 2009, there were no sponsorship fees for the fiscal period ended August 31, 2009.

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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*

Omega School of Excellence
Montgomery County
6500 Poe Avenue, Suite 350
Dayton, Ohio 45414

To the Board of Trustees:

We have audited the financial statements of the Omega School of Excellence (the "School") as of and for the fourteen months ended August 31, 2009, which collectively comprise the School's basic financial statements and have issued a report thereon dated December 10, 2009, wherein we noted the School ceased operations on June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 to be a significant deficiency.

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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying Schedule of Findings, item 2009-OSE-01 to be a significant deficiency in internal control over financial reporting.

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 School'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, grants 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 that are required to be reported under *Government Auditing Standards.*

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

Charles E. Harris & Associates, Inc.
December 10, 2009

OMEGA SCHOOL OF EXCELLENCE
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
AUGUST 31, 2009

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

FINDING NUMBER 2009-OSE-001
Significant Deficiency

Restatement of prior year's grant revenues, contributions and receivables

During the audit of the School's financial records for the fourteen months ended August 31, 2009 we noted that the School restated the beginning Net Asset due to incorrectly reporting grant revenue and receivables for the year ended June 30, 2008. We recommend that the School improve internal controls over tracking of grants and subsequent receivables. Management should require that accountants review all grants to ascertain that all conditions have been met to record grant revenue and receivables. Also the School's accountants should review the conditions that contributions have been made and/or promised before recognizing the transaction.

Management Response

The School felt it was appropriate to restate the grant revenue and receivables for the year ended June 30, 2008 to ensure the financial statements for the final close-out were as accurate as possible.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2008, reported no material citations or recommendations.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Omega School of Excellence
Montgomery County
6500 Poe Avenue, Suite 350
Dayton, Ohio 45414

The Board of Trustees:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school."

We noted that the Board did not adopt an anti-harassment policy as of December 10, 2009.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Charles E. Harris & Associates, Inc.
December 10, 2009

Mary Taylor, CPA
Auditor of State

OMEGA SCHOOL OF EXCELLENCE

MONTGOMERY 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 16, 2010

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