



Dave Yost • Auditor of State



PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Premier Academy of Ohio  
Franklin County  
1555 Elaine Road  
Columbus, Ohio 43227

To the Board of Directors:

We have audited the accompanying basic financial statements of the Premier Academy of Ohio, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2010, 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 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 Premier Academy of Ohio, Franklin County, Ohio, as of June 30, 2010, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Academy has suffered recurring losses from operations and has a net asset deficit (\$333,537) and operating loss (\$804,112) that raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

April 22, 2011

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The management's discussion and analysis of the Premier Academy of Ohio (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets were a deficit of \$333,537 at June 30, 2010.
- The Academy had operating revenues of \$1,661,150, operating expenses of \$2,465,262 and non-operating revenues of \$742,432 and non-operating expenses of \$3,974 for fiscal year 2010.

**Using these Basic Financial Statements**

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

**Reporting the Academy's Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, how did we do financially during 2010? 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 accounts all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2010 and 2009.

**Assets, Liabilities and Net Assets**

	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Current assets	\$ 31,158	\$ 143,691
Capital assets, net	<u>57,337</u>	<u>76,994</u>
Total assets	<u>88,495</u>	<u>220,685</u>
<b><u>Liabilities</u></b>		
Current liabilities	422,032	484,778
Long term liabilities	<u>-</u>	<u>3,790</u>
Total liabilities	<u>422,032</u>	<u>488,568</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	53,547	64,894
Restricted	20,722	49,666
Unrestricted (deficit)	<u>(407,806)</u>	<u>(382,443)</u>
Total net assets (deficit)	<u>\$ (333,537)</u>	<u>\$ (267,883)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's net assets were a deficit of \$333,537.

At June 30, 2010, capital assets represented 64.79% of total assets. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$53,547. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.



**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	<u>2010</u>	<u>2009</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 1,655,352	\$ 2,011,197
Charges for services	813	359
Other	<u>4,985</u>	<u>7,602</u>
Total operating revenue	<u>1,661,150</u>	<u>2,019,158</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,277,953	1,037,631
Fringe benefits	413,019	356,354
Purchased services	448,693	889,977
Materials and supplies	216,672	166,929
Depreciation	19,657	18,617
Other	<u>89,268</u>	<u>141,246</u>
Total operating expenses	<u>2,465,262</u>	<u>2,610,754</u>
<b><u>Non-operating Revenues and Expenses:</u></b>		
Federal and State grants	742,432	428,797
Interest expense	<u>(3,974)</u>	<u>(3,025)</u>
Total non-operating revenues and expenses	<u>738,458</u>	<u>425,772</u>
Change in net assets	(65,654)	(165,824)
Net assets (deficit) at beginning of year	<u>(267,883)</u>	<u>(102,059)</u>
Net assets (deficit) at end of year	<u>\$ (333,537)</u>	<u>\$ (267,883)</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. During fiscal year 2010, there was a decrease in student enrollment from fiscal year 2009 which led to a decrease in State foundation revenue. The Academy received Federal grant monies through the American Recovery and Reinvestment Act (ARRA) which resulted in an increase in Federal and State grant revenue during fiscal year 2010.

**Capital Assets**

At June 30, 2010, the Academy had \$57,337 invested in furniture and equipment. See Note 5 to the basic financial statements for more detail on capital assets.

**Debt Administration**

The Academy has entered into capital leases for phone and copier equipment. At June 30, 2010, \$3,790 of the lease obligation was due in one year.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

**Current Financial Related Activities**

The Academy is sponsored by Educational Resource Consultants of Ohio. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

The Academy relies primarily on State foundation revenues, which are based on student enrollment. There was a decrease of approximately 22 students from fiscal year 2009 to 2010. The Academy is attempting to increase its future State foundation revenues by marketing their Academy to 250 students.

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Arlene Wilson, Treasurer, Premier Academy of Ohio, Business Office, 1555 Elaine Road, Columbus, Ohio 43227.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**Assets:**

*Current assets:*

Cash	\$	621
Intergovernmental receivable		30,537
		31,158
Total current assets		31,158

*Noncurrent assets:*

Capital assets, net		57,337
		57,337
Total non-current assets		57,337
Total assets		88,495

**Liabilities:**

*Current:*

Accounts payable		39,350
Accrued wages and benefits		127,788
Pension obligation payable		28,908
Intergovernmental payable		37,684
Note payable		73,391
Line of credit payable		45,000
Capital leases payable		3,790
Unearned revenue		66,121
		422,032
Total liabilities		422,032

**Net assets:**

Invested in capital assets, net of related debt		53,547
Restricted for:		
State funded programs		19,150
Federally funded programs		1,572
Unrestricted (deficit)		(407,806)
		(333,537)
Total net assets	\$	(333,537)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Operating revenues:**

State foundation	\$ 1,655,352
Charges for services	813
Other	4,985
Total operating revenues	<u>1,661,150</u>

**Operating expenses:**

Salaries and wages	1,277,953
Fringe benefits	413,019
Purchased services	448,693
Materials and supplies	216,672
Depreciation	19,657
Other	89,268
Total operating expenses	<u>2,465,262</u>

Operating loss (804,112)

**Non-operating revenues (expenses):**

Federal and State grants	742,432
Interest expense	(3,974)
Total non-operating revenues (expenses)	<u>738,458</u>

Change in net assets (65,654)

**Net assets (deficit) at beginning of year** (267,883)

**Net assets (deficit) at end of year** \$ (333,537)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Cash flows from operating activities:</b>	
Cash received from State foundation	\$ 1,631,518
Cash received from customers	813
Cash received from other operations	4,985
Cash payments for salaries and benefits	(1,611,764)
Cash payments for suppliers for goods and services	(533,599)
Cash payments for materials and supplies	(210,676)
Cash payments for other operating expenses	(170,993)
	<hr/>
Net cash used for operating activities	(889,716)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State grants	853,497
Proceeds from line of credit	4,000
Principal payment on line of credit	(4,000)
Interest payment on line of credit	(1,707)
Interest payment on judgement payable	(1,571)
	<hr/>
Net cash provided by noncapital financing activities	850,219
<b>Cash flows from capital and related financing activities:</b>	
Principal payment on capital lease	(9,967)
Interest payment on capital lease	(696)
	<hr/>
Net cash used for capital and related financing activities	(10,663)
Net decrease in cash and cash equivalents	(50,160)
<b>Cash and cash equivalents at beginning of year</b>	<b>50,781</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 621</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (804,112)
Adjustments:	
Depreciation	19,657
Changes in assets and liabilities:	
Decrease in prepayments	17,429
Increase in accounts payable	24,632
Increase in accrued wages and benefits	9,830
(Decrease) in promissory note payable	(103,813)
Increase in pension obligation payable	28,908
Increase in intergovernmental payable	3,775
(Decrease) in judgements payable.	(86,022)
	<hr/>
Net cash used for operating activities	\$ (889,716)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Premier Academy of Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy specializes in providing a custom-made curriculum for each student to ensure academic success. The Academy utilizes sophisticated technology and small classroom sizes to guarantee individual attention to expose students in grades 7 through 12 to real world experience. 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 may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

During fiscal year 2010, the Academy was under a sponsorship contract with Educational Resource Consultants of Ohio, Inc. (the "Sponsor"). The Academy was approved under contract with the Sponsor for a period of three years commencing June 18, 2007 through June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy is located in Columbus, Ohio, Franklin County. The Academy ranks as the 719<sup>th</sup> largest in terms of enrollment (among 905 public school districts and community schools) in the State of Ohio. The Academy operates under the direction of a self-appointed five-member Board of Director. 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 qualification of teachers who provide services to 237 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

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

**B. Measurement Focus**

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the statement of net assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The Statement of Cash Flows reflects how the Academy finances meet its cash flow needs.

**C. Basis of Accounting**

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

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical 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 \$1,000. 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. The Academy does not capitalize interest.

All capital assets are depreciated. The Academy's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Equipment is depreciated over a period of five to ten years.



**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

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

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Academy did not have any net assets restricted by enabling legislation at fiscal year end.

**G. 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.

**H. 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.

**I. Economic Dependency**

The Academy received nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**J. Prepaid Items**

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as assets on the statement of net assets, using the allocation method, which amortized their cost over the periods benefiting from the advance payment.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the Academy's deposits was \$621 and the bank balance was \$3,305. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
Depreciable capital assets:				
Furniture and equipment	\$ 111,595	\$ -	\$ -	\$ 111,595
Less: accumulated depreciation	<u>(34,601)</u>	<u>(19,657)</u>	<u>-</u>	<u>(54,258)</u>
Capital assets, net	<u>\$ 76,994</u>	<u>\$ (19,657)</u>	<u>\$ -</u>	<u>\$ 57,337</u>

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior year, the Academy has entered into capital lease agreements for copier and phone equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Copier equipment has been capitalized in the amount of \$30,952. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$24,762 leaving a current book value of \$6,190.

Phone equipment in the amount of \$13,450 has not been capitalized because the individual assets do not meet the Academy's capitalization threshold.

Principal and interest payments in the 2010 fiscal year totaled \$9,967 and \$696, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2010:

<u>Year Ending June 30</u>	<u>Copiers</u>
2011	<u>\$ 3,908</u>
Total minimum lease payment	<u>3,908</u>
Less: amount representing interest	<u>(118)</u>
Present value of minimum lease payments	<u>\$ 3,790</u>

Of the remaining capital lease obligation, \$3,790 in capital lease principal payments are due in fiscal year 2011.

**NOTE 7 - LINE OF CREDIT**

During fiscal years 2009 and 2010, the Academy borrowed \$50,000 and \$4,000 respectively, through a line of credit from Huntington Bank. Receivables and inventory are pledged to pay any outstanding balances. The following activity occurred on the line of credit during the fiscal year 2010:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Line of credit	<u>\$ 45,000</u>	<u>\$ 4,000</u>	<u>\$ (4,000)</u>	<u>\$ 45,000</u>

During fiscal year 2010, the Academy incurred \$1,707 in interest charges related to the line of credit.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 8 - NOTE PAYABLE**

During fiscal year 2009, the Academy entered into a promissory note payable to Eastman & Smith, Ltd. to pay for legal services incurred prior to June 30, 2009. Payments on the note payable are scheduled to begin in fiscal year 2010 and are expected to be paid in full by the end of fiscal year 2011. The note is interest free. The following note payable activity occurred during the fiscal year:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
Note payable	\$ 177,204	\$ -	\$ (103,813)	\$ 73,391

**NOTE 9 - OPERATING LEASE**

The Academy school facilities are located in a space leased at 1555 Elaine Road, Columbus, Ohio. The lease agreement is with St. Phillip Church for the period of August 1, 2009 through June 30, 2010. The base rental of the lease is \$9,020 per month. Payments totaling \$90,200 were made during fiscal year 2010.

The following minimum lease payments will be made for the fiscal year ending June 30:

2011	<u>\$ 9,020</u>
	<u>\$ 9,020</u>

**NOTE 10 - RECEIVABLES**

At June 30, 2010, receivables consisted of intergovernmental receivables of \$30,537 in State and federal grants. The receivables are expected to be collected in full within one year.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

*Plan Description* - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 or by calling toll free, (800) 878-5853. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

*Funding Policy* - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 11 - PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$56,880, \$24,122 and \$15,362, respectively; 90.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

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

payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$109,182, \$94,790 and \$100,765, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$5,435 made by the Academy and \$3,882 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Trustees have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2010 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System (Continued)**

Active members do not contribute to the postemployment benefit plans. The 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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,823, \$16,815 and \$12,504, respectively; 90.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,383, \$1,990 and \$1,107, respectively; 90.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,399, \$7,292 and \$7,751, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2010, the Academy contracted with Ohio Casualty Insurance for the following coverage:

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 13 - RISK MANAGEMENT (Continued)**

**A. Property and Liability (Continued)**

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Errors and Omissions	1,000,000
Property (all locations)	260,000
Computer Coverage:	
Equipment	105,000
Software	50,000
Extra Expense	25,000

There have been no significant decreases in coverage from the previous year. Settled claims did not exceed this commercial coverage in fiscal year 2010.

**B. Workers' Compensation**

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. At June 30, 2010, the Academy owed \$6,516 for this premium on January through June 2010 wages, \$9,334 for this premium on July through December 2009 wages and \$976 on accrued wages. The liability is reflected in the financial statements at June 30, 2010.

**NOTE 14 - EMPLOYEE BENEFITS**

The Academy provides health, drug, vision and dental insurance for all eligible employees through United HealthCare. The Academy pays 80% of the monthly premium and employees pay the remaining 20% for health and vision coverage. The Academy pays 50% of the monthly premium and employees pay the remaining 50% for dental coverage. The Academy provides life insurance and accidental death and dismemberment insurance to employees through MetLife.

**NOTE 15 - PURCHASED SERVICES**

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	\$ 385,039
Property services	2,480
Travel/mileage/meeting expense	2,377
Communications	57,922
Other purchased services	<u>875</u>
Total	<u>\$ 448,693</u>

**NOTE 16 - SPONSOR CONTRACT**

The Academy entered into a one-year contract commencing on July 1, 2010 and continuing through June 30, 2011 with the Sponsor for its establishment. Under the contract, the following terms were agreed upon:



**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 16 - SPONSOR CONTRACT (Continued)**

- The Academy shall comply with the policies and provisions described in the “Educational Program”, which contains the Academy’s mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, and the focus of the curriculum.
- The Academy shall comply with a “Financial Plan”, which details an estimated school budget for each year of the period of the contract, and shall specify the total estimated per pupil expenditure amount for each such year.
- The Academy shall comply with the procedures by which the members of the Academy will be selected in the future as set forth in the “Governance and Administrative Plan”.
- The Academy shall agree to assess student achievement of academic goals using the methods of measurement identified in the “Assessment and Accountability Plan”.
- The Sponsor shall evaluate the performance of the Academy and agrees to comply with the standards by which the success of the Academy will be evaluated.

The Academy paid \$49,611 in sponsorship fees to the Sponsor during fiscal year 2010.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and 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, 2010.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education conducts reviews on 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. As a result of the review after fiscal year end, the Ohio Department of Education overpaid the Academy \$662. This amount is reflected as intergovernmental payable on the basic financial statements.

**NOTE 18 – MANAGEMENT’S PLAN**

For fiscal year 2010, the Academy had an operating loss of (\$804,112), a decrease in net assets of (\$65,654), and a cumulative net asset deficit of (\$333,537). In an effort to improve the financial stability of the Academy, the following action steps have been implemented by management, under direction of the Board:

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2010  
(Continued)**

**NOTE 18 – MANAGEMENT’S PLAN (Continued)**

- Elimination of 3.5 staff positions
- Reduction of contractual obligations with Ohio Clean Group for janitorial services
- Reduction of purchased services
- Increase of student enrollment

The Academy’s Business Manager and Treasurer monitor financial activities on a daily basis. Financial reports are submitted to the Board for approval on a monthly basis to determine the effectiveness of the steps listed above. The Academy has passed a balanced budget for fiscal year 2011 and has a cash balance of \$64,771 as of April 22, 2011.

PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Cash Assistance:			
School Breakfast Program	10.553	\$ 19,858	\$ 19,858
National School Lunch Program	10.555	63,878	63,878
Cash Assistance Subtotal:		<u>83,736</u>	<u>83,736</u>
Total Child Nutrition Cluster		<u>83,736</u>	<u>83,736</u>
<b>Total U.S. Department of Agriculture</b>		<u>83,736</u>	<u>83,736</u>
..			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	68,209	68,209
ARRA - Special Education Grants to States, Recovery Act	84.391	58,118	66,570
Total Special Education Cluster		<u>126,327</u>	<u>134,779</u>
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	288,596	283,224
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	154,838	159,777
Total Title I Cluster		<u>443,434</u>	<u>443,001</u>
School Improvement Grants	84.377	68,882	59,781
Education Technology State Grants	84.318	2,490	1,945
Improving Teacher Quality State Grants	84.367	7,127	5,597
Safe and Drug-Free Schools and Communities_State Grants	84.186	457	0
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	112,934	112,934
<b>Total U.S. Department of Education</b>		<u>761,651</u>	<u>758,037</u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u>\$ 845,387</u>	<u>\$ 841,773</u>

*The accompanying notes are an integral part of this schedule.*

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Premier Academy of Ohio's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

Premier Academy of Ohio  
Franklin County  
1555 Elaine Road  
Columbus, Ohio 43227

To the Board of Directors:

We have audited the basic financial statements of Premier Academy of Ohio, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated April 22, 2011, wherein we noted matters which indicate the Academy has suffered recurring losses from operations and has a net asset deficit and operating loss that raise substantial doubt about its ability to continue as a going concern. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

### 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*.

Premier Academy of Ohio  
Franklin County  
Independent Accountants' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 22, 2011.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

April 22, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Premier Academy of Ohio  
Franklin County  
1555 Elaine Road  
Columbus, Ohio 43227

To the Board of Directors:

### Compliance

We have audited the compliance of the Premier Academy of Ohio, Franklin County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

As described in finding 2010-001 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding allowable costs/cost principals applicable to its Title I Program. Compliance with this requirement is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Premier Academy of Ohio, Franklin County, Ohio, complied, in all material respects, with the requirements referred to above applicable to its major federal program for the year ended June 30, 2010.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-002

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-001 and 2010-002 to be material weaknesses.

The Academy's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management, the Board of Directors, the Community School's Sponsor, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

April 22, 2011



PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 and # 84.389 - Title 1
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	Title I Grants to Local Education Agencies- #84.010 ARRA, Title I Grants to Local Educational Agencies, Recovery Act- #84.389 Special Education- Grants to State- #84.027 ARRA, Special Education- Grants to State, Recovery Act- #84.391 Improving Teacher Quality, State Grants- #84.367 School Improvement Grants- #84.377
<b>Federal Award Number / Year</b>	2009/2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education.

**Questioned Costs / Material Weaknesses – Allowable Costs / Cost Principles  
Support to Federal Wages**

**2 C.F.R. Part 225, Attachment B, Section 8(h)(3)**...Where employees are expected to work solely on a single Federal award or cost objective, charges for their salary and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Furthermore, Section 8(h) (4) provides that;

...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix...Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

The Academy does not certify wages for time spent on a single Federal award nor does it require personnel activity reports or equivalent documentation for wages of employees paid from categories (a)-(e) noted above. The table below illustrates the amount of payroll paid for each federal program and the amount of payroll lacking the semi-annual certifications from each program.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Questioned Costs / Material Weaknesses – Allowable Costs / Cost Principles  
Support to Federal Wages (Continued)**

Grant	Total Federal Payroll	Payroll Lacking Certification
CFDA # 84.010- Title I Grants to Local Education Agencies	202,643	201,563
CFDA # 84.389- ARRA, Title I Grants to Local Educational Agencies, Recovery Act	110,526	110,526
CFDA # 84.027- Special Education- Grants to State	47,872	47,672
CFDA # 84.391- ARRA, Special Education- Grants to State, Recovery Act	54,656	54,456
CFDA # 84.367- Improving Teacher Quality, State Grants	3,750	3,750
CFDA #84.377- School Improvement Grants	30,970	590
<b>Total</b>	<b>450,417</b>	<b>418,557</b>

The Academy has a total of \$418,557 in payroll expenditures that are lacking semi-annual certifications for the time worked on federal programs for 2010.

The Academy should establish specific procedures by which each employee working on multiple activities or multiple federal programs will complete time and effort logs on a timely basis. The time and effort logs should be an “after the fact” representation of the hours worked. Therefore, these should be completed in a reasonable short time after the end of the period the log is meant to cover. All time and effort logs should include full disclosure of the facts and should include credible signatures.

To avoid the potential loss of, or decrease of federal funding, we recommend that the Academy perform semi-annual certification of wages for employees working on a single Federal award, and require personnel activity reports or equivalent documentation which meets the standards set forth in 2. C.F.R. Part 225, Appendix B, Section 8 (h) (5) for employees paid from categories (a)-(e) noted above.

**Officials’ Response and Corrective Action Plan:**

Premier Academy realizes the semi-annual certifications for the time worked on federal programs for 2010 was required. The Treasurer will ensure Premier Academy completes semi-annual certifications for fiscal year 2011.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2010-002
<b>CFDA Title and Number</b>	National School Breakfast Program- #10.553 National School Lunch Program- #10.555 Title I Grants to Local Education Agencies- #84.010 ARRA, Title I Grants to Local Educational Agencies, Recovery Act- #84.389 ARRA, Special Education- Grants to State, Recovery Act- #84.391 Educational Technology State Grants- #84.318 Improving Teacher Quality, State Grants- #84.367 School Improvement Grants- #84.377
<b>Federal Award Number / Year</b>	2009/2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education.

**Noncompliance / Material Weakness  
Federal Awards Receipts and Expenditures Schedule**

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

**PREMIER ACADEMY OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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Section .320(a) of the Circular also requires the audit to be completed and the reporting package be filed within the earlier of 30 days after the receipt of the auditor's report(s), or 9 months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The original federal awards receipts and expenditures schedule prepared by the Academy for fiscal year 2010 required the following modifications:

Grant	Receipts Originally Reported	Receipts after Adjustments	Expenditures Originally Reported	Expenditures after Adjustments
CFDA #10.553 – National School Breakfast Program	0	19,858	0	19,858
CFDA #10.555 – National School Lunch Program	0	63,878	0	63,878
CFDA #84.010 – Title 1 Grants to Local Educational Agencies	288,596	288,596	288,596	283,224
CFDA #84.389 – Title 1 Grants to Local Educational Agencies, Recovery Act	154,838	154,838	154,838	159,777
CFDA #84.391 – Special Education – Grants to State, Recovery Act	58,118	58,118	58,118	66,570
CFDA #84.318 - Educational Technology State Grants	2,490	2,490	2,268	1,945
CFDA #84.367 - Improving Teacher Quality State Grants	7,127	7,127	7,127	5,597
CFDA #84.377 – School Improvement Grants	68,883	68,883	68,883	59,781

The Academy has made these adjustments to the federal awards receipts and expenditures schedule.

Failure to identify federal awards and accurately prepare a federal awards receipts and expenditures schedule may result in noncompliance with the Circular and may compromise the Academy's ability to obtain federal awards in the future.

We recommend the Academy implement procedures to track and readily identify the receipt and disbursement of all federal awards. The Academy should use this information to ensure accurate preparation of the federal awards receipts and expenditures schedule at year end.

**Officials' Response and Corrective Action Plan:**

The Treasurer will ensure Premier Academy will implement procedures to track and readily identify the receipts and disbursements of all federal awards. Premier Academy will use this information to ensure accurate preparation of the federal awards and receipts and expenditures schedule for fiscal year 2011.

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# Dave Yost • Auditor of State

**PREMIER 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  
MAY 31, 2011**