SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying basic financial statements of the Springfield Academy of Excellence, Clark County (the Academy), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2004, and the changes in its financial position and its cash flows for the Enterprise Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the Academy implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, 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.

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We conducted our audit to form opinions on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Betty Montgomery

Betty Montgomery
Auditor of State

February 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

The discussion and analysis of Springfield Academy of Excellence's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- Total net assets increased $462,116 in fiscal year 2004 from fiscal year 2003. The nearly $400,000 increase in net assets invested in capital assets, net of accumulated debt accounts for a majority of this increase. Capital construction projects during the fiscal year included a $308,495 renovation of existing facility space as well as $296,324 in construction in progress related to a new school building.

- Total assets increased $627,776 from the prior year, due primarily to the above noted capital asset projects.

- The operating loss reported for fiscal year 2004 ($279,556) was $124,946 less than the operating loss reported for fiscal year 2003, a 31 percent decrease. Increased payments received through the State Foundation program as well as management's containment of operating costs contributed to reducing the operating loss recognized by the Academy.

Using this Financial Report

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

Statement of Net Assets

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

This statement reports the Academy's net assets, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated. Table 1 provides a summary of the Academy's net assets for fiscal year 2004 compared with fiscal year 2003.

**Table 1
Net Assets**

	2004	2003
Assets:		
Current and other assets	$156,880	$133,565
Capital assets, net	635,804	31,343
Total Assets	792,684	164,908
Liabilities:		
Current liabilities	84,768	149,080
Non-current liabilities	229,972	-
Total Liabilities	314,740	149,080
Net Assets:		
Invested in capital assets	399,378	24,889
Restricted	76,683	18,237
Unrestricted	1,883	(27,298)
Total Net Assets	$477,944	$15,828

Total net assets of the Academy increased by $462,116 from the net assets reported at June 30, 2003. Net assets invested in capital assets, net of related debt, increased by $374,489 from fiscal year 2003 and represents approximately 81 percent of the increase in total net asset for the Academy. During fiscal year 2004, the Academy had two significant capital projects; a $308,495 renovation to Annex which is leased to provide classroom space and the construction of a new school building on the same location as the existing school. As of June 30, 2004, construction of the school building was approximately fifty percent completed. Construction in progress of $296,324 was recorded at the end of the fiscal year related to this construction project. The Academy entered into a construction loan to finance this project and as of June 30, 2004 $229,972 of the approved loan amount had been drawn down to pay the related construction costs of the school building.

The outstanding principal amount of the construction loan accounts for the increase in total liabilities as of June 30, 2004 compared with those reported at June 30, 2003. The decrease in current liabilities resulted from the repayment of certain promissory notes, as well as significant reductions in accrued wages and intergovernmental payable recognized for fiscal year 2004. Accrued wages decreased for fiscal year 2004 due to an increased number of employees working year-around and intergovernmental payable decreased due the manner in which retirement contributions are recognized.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, as well as revenue and expense comparisons to fiscal year 2003.

Table 2
Changes in Net Assets

	2004	2003
Operating Revenues:		
Foundation payments	$1,006,072	$710,488
Disadvantage Pupil	145,983	143,140
Donated leases	144,002	177,316
Other operating revenues	6,998	26,300
Non Operating Revenues:		
State and federal grants	644,582	491,130
Donations and fundraising	97,488	41,767
Interest	77	48
Total Revenues	2,045,202	1,590,189
Operating Expenses:		
Salaries	776,391	704,158
Fringe benefits	175,633	185,357
Lease payments	262,454	284,651
Other purchased services	163,327	110,859
Materials and supplies	178,655	158,024
Depreciation	8,772	7,552
Other expenses	17,379	11,145
Non Operating Expenses		
Interest and fiscal charges	475	816
Total Expenses	1,583,086	1,462,562
Change in net assets	462,116	127,627
Net assets, beginning of year	15,828	(111,799)
Net assets, end of year	$477,944	$15,828

Total revenue received by the Academy in fiscal year 2004 increased by $455,013 or 28.61 percent as compared with fiscal year 2003. As shown in Table 2 above, there were significant increases in state foundation payments and state and federal grants. State foundation payments increased due to an increase in the number of students enrolled in the school as well as increases in per pupil funding amount used in the payment calculation. The 31 percent increase in state and federal grant revenue is attributable to the Academy receiving a one-time, $325,000 grant for the Annex renovation and being eligible to receive $150,000 charter school start-up grant funding in fiscal year 2003 but not in 2004 due to grant regulations.

During fiscal year 2003, the Church of Jesus Family Worship Center (the Church) forgave $177,316 in lease payments associated with the Academy's use of multipurpose room, office space, and the annex owned by the Church. At the beginning of fiscal year 2004, the lease agreement between the Church and the Academy for the use of the Annex, multipurpose room and the office space was revised and the lease payments were changed to $36,000 per year.

All other expense categories increased by approximately 12 percent during fiscal year 2004. Wage increases for employees, increase need for instructional support services, and increased spending related to textbooks and instructional supplies were the main components of the increase.

Capital Assets

At June 30, 2004 the capital assets of the Academy totaled $652,315 with accumulated deprecation being $22,965. A break down of the capital assets of the academy is presented below.

Table 3
Capital Assets, Net of Depreciation

	2004	2003
Leasehold Improvements	$308,495	
Equipment	24,531	$24,889
Construction in Progress	296,324	
Total	$629,350	$24,899

As previously noted, the renovation of the Annex ($308,495) and the construction in progress recorded for the new school building ($296,324) are the two major capital asset additions during fiscal year 2004. Current year depreciation of $8,772 did not include depreciation on the leasehold improvements since the renovation of the Annex was completed late in fiscal year 2004. See Note 6 of the notes to the basic financial statements for additional information on the Academy's capital assets.

Debt

At June 30, 2004, the debt obligations of the Academy consisted solely of the $229,972 construction loan obtained to provide financing for the construction of the new school building. During the course of fiscal year 2004, the Academy paid $64,531 in principal and $475 in interest to settle two promissory notes. See Note 8 to the basic financial statements for additional details.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Springfield Academy of Excellence, Inc. and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Springfield Academy of Excellence, 623 South Center Street, Springfield, Ohio 45502.

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

Assets	
Current assets:	
Cash and cash equivalents	$131,174
Receivables:	
Grants	24,404
Accounts	1,302
Total current assets	156,880
Noncurrent assets:	
Security deposit	6,454
Depreciable capital assets (net of accumulated depreciation)	333,026
Construction in progress	296,324
Total noncurrent assets	635,804
Total assets	792,684
Liabilities:	
Current liabilities:	
Accounts payable	13,107
Accrued wages payable	46,901
Intergovernmental payable	15,357
Compensated absences payable	9,403
Total current liabilities	84,768
Noncurrent liabilities:	
Notes payable	229,972
Total liabilities	314,740
Net Assets:	
Invested in capital assets, net of related debt	399,378
Restricted	76,683
Unrestricted	1,883
Total net assets	$477,944

See accompanying notes to the financial statements.

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

Operating revenues:	
Foundation payments	$1,006,072
Disadvantaged pupil impact aid	145,983
Donated leases	144,002
Charges for services	4,615
Miscellaneous operating revenue	2,383
Total operating revenues	1,303,055
Operating expenses:	
Salaries	776,391
Fringe benefits	175,633
Lease payments	262,454
Other purchased services	163,327
Materials and supplies	178,655
Depreciation	8,772
Other	17,379
Total operating expenses	1,582,611
Operating loss	(279,556)
Non-operating revenues and (expenses):	
State and federal grant revenue	644,582
Gifts and donations	89,512
Fundraising	7,976
Interest earnings	77
Interest and fiscal charges	(475)
Total non-operating revenues (expenses)	741,672
Changes in net assets	462,116
Net assets at beginning of year	15,828
Net assets at end of year	$477,944

See accompanying notes to the financial statements.

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Increase(Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Cash from State of Ohio	$1,152,055
Cash from customers	4,642
Cash payments to suppliers for goods and services	(476,089)
Cash payments to employees for services and benefits	(992,031)
Other operating revenue	2,383
Net cash used for operating activities	(309,040)
Cash flows from noncapital financing activities:	
Federal and state subsidies	672,899
Gifts and contributions	89,512
Fundraising activities	7,976
Principal paid on notes	(24,531)
Net cash provided by noncapital financing activities	745,856
Cash flows from capital and related financing activities:	
Note Proceeds	269,972
Principal paid on notes	(40,000)
Interest paid on notes	(475)
Cash payments for capital acquisitions	(613,233)
Net cash used for capital and related financing activities	(383,736)
Cash flows from investing activities:	
Interest on investments	77
Net Increase in Cash and Cash Equivalents	53,157
Cash and Cash Equivalents, Beginning of Year	78,017
Cash and Cash Equivalents, End of Year	131,174
Reconciliation of operating loss to net cash used for for operating activities	
Operating loss	(279,556)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	8,772
Changes in assets and liabilities:	
Decrease in accounts receivable	27
Decrease in prepaid items	1,498
Decrease in accounts payable	(1,250)
Decrease in accrued wages payable	(22,031)
Decrease in intergovernmental payable	(17,954)
Increase in compensated absences payable	1,454
Total Adjustments	(29,484)
Net cash used for operating activities	($309,040)

Non-Cash Item:

During the fiscal year ended June 30, 2004 lease obligations of $144,002 were forgiven and not evidenced by cash transactions.

See accompanying notes to the financial statements.

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1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

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

The Academy was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing after May 29, 2001. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of presentation

Enterprise accounting is used to account for operations that are financed and operated in 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Capital Assets And Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of $500. The Academy does 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 the asset's life are expensed.

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

F. Intergovernmental Revenues

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts awarded under federal grant or entitlement programs for the 2004 school year totaled $627,631.

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2004, including:

Wages Payable – salary payments made after year-end that were for services rendered in fiscal year 2004. Teaching personnel are paid in 24 equal installments, ending with the last pay period in July, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2004 for all salary payments made to teaching personnel during the month of July 2004.

Intergovernmental Payable – payment for the employer's share of the retirement contribution ($11,877), workers' compensation ($366) and Medicaid ($680) associated with services rendered during fiscal year 2004, but were not paid until the subsequent fiscal year. In addition to salary related payments, the Academy owed $2,434 to other governmental agencies for miscellaneous obligations at June 30, 2004.

H. Compensated Absences

Paid time off benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for fifty percent of accumulated unused sick and personnel days earned by all employees.

I. Security Deposit

The Academy entered into several leases for the use of the building for the administration of the Academy, for computer start-up costs and computer equipment, and for use of a certain phone company for which security deposits were required to be paid at the signing of the agreement. These amounts are held by the respective leaser/vendor.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Operating And Non-Operating Revenues And Expenses

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

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

L. Federal tax exemption status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

M. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the Academy has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB 34 creates new basic financial statements for reporting on the Academy financial activities and requires the inclusion of the Management Discussion and Analysis section which provides a narrative introduction and overview of the financial statements to enhance the user's ability to interpret the information within the statements

4. DEPOSITS AND INVESTMENTS

The following information classifies deposits by category of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At June 30, 2004, the carrying amount of the Academy's deposits was $131,174 and the bank balance was $223,091. Of the bank balance $100,000 was covered by federal deposit insurance and the remaining amounts are collateralized with securities held by the pledging financial institution's trust department or agent in the Academy's name.

5. RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental grants and accounts receivables associated with latchkey services provided. All receivables are considered collectible in full.

Intergovernmental receivable of the Academy at June 30, 2004 consisted of Federal reimbursements of $5,849 for operation of food service program, $1,063 for Title V program, $15,567 for Title VI-B program; and State reimbursement of $1,925 for the cost of providing intervention services to students in fiscal year 2004, but were not received until after year-end.

6. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2004, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Construction-in-progress		$296,324	-	$296,324
Depreciable capital assets:				
Leasehold Improvements		308,495	-	308,495
Equipment	$39,082	8,414	-	47,496
	39,082	316,909	-	355,991
Less: accumulated depreciation on:				
Leasehold Improvements			-	-
Equipment	(14,193)	(8,772)	-	(22,965)
	(14,193)	(8,772)	-	(22,965)
Total depreciable capital assets, net	24,889	308,137	-	333,026
Capital assets, net	$24,889	$604,461	-	$629,350

7. RISK MANAGEMENT

Property And Liability – The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the Academy contracted with Cincinnati Insurance Co. for property, general liability, auto, and excess liability insurance. Property coverage is covered for $237,900 and contents are insured for $343,900. There is a deductible of $250 and property and contents are 90 percent co-insured. Commercial general liability covers each single occurrence for $1 million with a $2 million general aggregate limit. Automobile liability has a combined single limit of $1 million. The excess liability is covered for $1 million for each occurrence and $1 million in the aggregate.

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

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

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

8. NOTES PAYABLE

During fiscal year 2004, the Academy was a party on several promissory notes. The activity of these promissory notes is summarized below:

Obligation	Beginning Balance	Additions	Payments	Ending Balance
2002 Promissory Note – Director and Other Officer; 1.5% APR	$24,531	-	$24,531	-
2004 Promissory Note – Bishop Pratt; 4.75% APR	-	40,000	40,000	-
2004 Construction Note – Huntington National Bank	-	229,972	-	229,972
Totals	$24,531	$269,972	$64,531	$229,972

In fiscal year 2002, the Director and other Officers loaned the Academy a total of $55,119 for cash flow purposes. This promissory note was settled in full by the Academy during fiscal year 2004.

On February 26, 2004 the Director's husband, Bishop Cecil Pratt, provided $40,000 to the Academy for initial construction phase of the new school building project. In return the Academy issued a promissory note to Bishop Pratt in the amount of $40,000 bearing no interest for the first 30 days and 4.75 percent thereafter and payable in full by June 30, 2004. During fiscal year 2004 interest totaled $475 related to this note.

During fiscal year 2004, the Academy entered into a construction loan with Huntington National Bank for the construction of a new school building. The total amount of the loan was set at $409,998 to be repaid over 60 months after the completion of the construction project, with only interest payments due during the six month construction period. The interest rate was set at Prime plus one (1) percent. The loan was guaranteed in full by the Church of Jesus, Inc. through a third mortgage secured on real property located at 623 South Center Street, Springfield, Ohio. In addition, the Ohio School Facilities Commission has guaranteed 85 percent of the project for the first 15 years of the loan. Loan proceeds are accessible through monthly draws to pay certified construction costs; at June 30, 2004 the construction draws totaled $229,972.

9. DEFINED BENEFIT PENSION PLANS:

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statue 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 (614) 222-5853.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 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; at June 30, 2003 (the latest information currently available), 8.17 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 Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2004, 2003 and 2002 were $26,115, $26,714 and $6,816, respectively; 100 percent has been contributed for each of the fiscal years.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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% 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, 2004, plan members were required to contribute the statutory maximum of 10.0 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

9. DEFINED BENEFIT PENSION PLANS (Continued)

The Academy's required contributions for pension obligations for the fiscal year ended June 30, 2004, 2003 and 2002 were $66,512, $69,133 and $32,666, respectively; 100 percent has been contributed for each of the fiscal years.

10. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B Coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $2.8 billion on June 30, 2003. For the Academy, this amount equaled $5,116 during the 2004 fiscal year.

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were $456,214,000. There were 108,294 eligible benefit recipients.

For SERS, the Ohio Revised Code gives the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, the allocation rate is 5.83 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at $14,500. For the Academy, the amount to fund health care benefits, including the surcharge, was $23,946 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were $204,930,737 and the target level was $307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits of $303.6 million. The number of benefit recipients currently receiving heath care benefits is approximately 50,000.

11. FISCAL SERVICES

The Academy entered into a contract with PACE School Resources Center (SRC) to provide treasurer and financial management services for a twelve month period beginning July 1, 2003 for a monthly fee of $3,500. SRC was subsequently separated from PACE and was renamed Keys to Improving Dayton Schools, Inc. without any further changes to services or cost.

12. RESTRICTED NET ASSETS

At June 30, 2004 the Academy reported restricted net assets totaling $76,910. The nature of the net asset restrictions are as follows:

Federal specific educational program grants	$46,219
Capital related grants and contributions	17,731
State specific educational program grants	10,432
Miscellaneous restricted grants and contributions	2,301
Total	$76,683

13. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review resulted in the determination that the Academy was underpaid by $5,424.

C. Litigation

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

14. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "… the Ohio General Assembly to enact a school funding scheme that is thorough and efficient …". The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

15. OPERATING LEASES

The Academy is leasing the use of land, office and classroom space, and various pieces of equipment through operating leases with the Church of Jesus Family Worship Center (the Church), the Precious Gifts Day Care Center (the Day Care Center), and Modular Designs. Total lease obligations to the Church for fiscal year 2004 totaled $180,002. The Academy paid $36,000 of these obligations, with the Church forgiving the remaining $144,002. Total lease obligations to the Day Care Center totaled $61,836 in fiscal year 2004 that the Academy paid in full. Total lease obligations to Modular Designs totaled $20,600 that the Academy paid in full.

Individual lease obligations include:

- A ninety-nine year lease between the Church and the Academy which stipulates the Academy will be permitted to use Church grounds for an annual fee of one dollar for construction of the new school building. For fiscal year 2004, the lease was forgiven by the Church. Lease payments are expected to remain the same for the remaining term of the lease.

- A lease of land from the Church in the amount of $144,000 for fiscal year 2004 was forgiven by the Church. Lease payments are expected to remain the same for the remaining term of the lease.

- A lease of the Annex and other building space from the Church, beginning October 1, 2001 through July 1, 2006 in the amount of $3,000 per month. During fiscal year 2004, the Academy paid $36,000 related to this lease agreement. Lease payments are expected to remain the same for the remaining term of the lease.

- A lease of 12 double modular systems and 50 parking spaces, from the Day Care Center with lease obligations of $5,000 per month. During fiscal year 2004 the Academy paid the Day Care Center $40,000 related to this lease. During March 2004, the Academy signed this lease directly with Modular Designs for a twelve month period with lease obligations of $5,150 per month. During fiscal year 2004, the Academy paid $20,600 to Modular Designs related to these lease payments. Lease payments are expected to remain the same for the remainder of the lease. As of January 1, 2005, the lessor became Cecil A. Pratt and Roseann Pratt.

- The Academy leases food storage space and freezer space, and certain equipment from the Day Care Center. Total lease obligations related to these items totaled $21,852 for fiscal year 2004 with the Academy paying the entire obligation during the fiscal year. Lease payments are expected to remain the same for the remaining term of these leases.

16. RELATED PARTIES

During the fiscal year ended June 30, 2004, the Academy made payments on several lease agreements with the Precious Gifts Day Care Center (the Day Care Center) and the Church of Jesus Family Worship Center (the Church), which are affiliated with the Director and a Trustee of the Academy. The Director is the operator of the Day Care Center and the Trustee is the Pastor of the Church. Lease expenses recognized to the Day Care Center were $61,836 and to the Church were $180,002 for the fiscal year ended June 30, 2004.

During May 2004, the Academy issued a $40,000 promissory note to a Trustee to provide financing for the initial construction phase of the new school building project. This note was settled in full during June 2004 with $475 in interest payments being made to the Trustee during the fiscal year.

Additionally, the Director and another Trustee of the Academy loaned the Academy operating funds during fiscal year 2002. During fiscal year 2004, the Academy paid the Director $24,531 to settle these promissory notes in full.

17. OTHER PURCHASED SERVICES

During the fiscal year ended June 30, 2004, other purchased service expenses for services rendered by various vendors were as follows:

Professional and technical services	$129,007
Communications and network services	15,304
Property services	11,499
Meetings and travel	2,927
Contractual labor	2,273
Utilities	1,757
Pupil transportation	560
	$163,327

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Donation		10.550		$19,817		$19,817
School Breakfast Program	05PU-2003	10.553	7,153		7,153	
	05-PU-2004		21,360		21,360	
Total School Breakfast Program			28,513		28,513	
National School Lunch Program	LLP1-2003	10.555	113		113	
	LLP1-2004		940		940	
	LLP4-2003		15,185		15,185	
	LLP4-2004		43,850		43,850	
Total National School Lunch Program			60,088		60,088	
Summer Food Service Program for Children	23PU-2003	10.559	15,579		15,579	
	24PU-2003		1,526		1,526	
Total Summer Food Service Program for Children			17,105		17,105	
Total Child Nutrition Cluster			105,706	19,817	105,706	19,817
Team Nutrition Grants	TWAD-2004	10.574	2,000		148	
Total U.S. Department of Agriculture			107,706	19,817	105,854	19,817
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Grants to States	6BSF-2003-P	84.027	(285)			
(IDEA Part B)	6BSF-2004		6,477		21,676	
Total Special Education Grants to States (IDEA Part B)			6,192		21,676	
Grants to Local Educational Agencies	C1S1-2003	84.010	(8,641)		10,287	
(ESEA Title I)	C1S1-2004		169,455		126,330	
Total Grants to Local Educational Agencies (ESEA Title I)			160,814		136,617	
Innovative Educational Program	C2S1-2003	84.298	450			
Strategies	C2S1-2004		327		1,141	
Total Innovative Educational Program Strategies			777		1,141	
Drug-Free Schools Grant	DRS1-2003	84.186	(289)			
	DRS1-2004		2,114		2,114	
Total Drug-Free Schools Grant			1,825		2,114	
Education Technology State Grants	TJS1-2003	84.318	(1,555)			
	TJS1-2004		5,908		4,616	
Total Education Technology State Grants			4,353		4,616	
Improving Teacher Quality State Grants	TRS1-2003	84.367				
	TRS1-2004		11,425		4,991	
Total Improving Teacher Quality State Grants			11,425		4,991	
Passed Through Ohio School Facilities Commission:						
School Renovation Grants		84.352A	325,413		323,495	
Total Department of Education			510,799		494,650	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Ohio Department of Education:						
Temporary Assistance for Needy Families	N/A	93.558	9,432		9,432	
Totals			$627,937	$19,817	$609,936	$19,817

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

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY
FISCAL YEAR ENDED JUNE 30, 2004

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- CHILD NUTRITION CLUSTER

Program regulations do not require the Academy to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the basic financial statements of the business-type activities of the Springfield Academy of Excellence, Clark County (the Academy) as of and for the year ended June 30, 2004, which comprise the Academy's basic financial statements and have issued our report thereon dated February 9, 2005 wherein we noted the Academy implemented a new financial reporting model, as required by the provisions of Governmental Auditing Standard Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. 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.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Academy's management in a separate letter dated February 9, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the Academy's management in a separate letter dated February 9, 2005.

This report is intended solely for the information and use of the audit committee, management, the Governing Board, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

February 9, 2005

Auditor of State
Betty Montgomery

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

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

Compliance

We have audited the compliance of Springfield Academy of Excellence, Clark County (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 are applicable to its major federal program for the year ended June 30, 2004. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Academy's management. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the Academy in a separate letter dated February 9, 2005.

Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on 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.

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Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a certain instance of internal control over federal compliance that does not require inclusion in this report that we have reported to the management of the Academy in a separate letter dated February 9, 2005.

This report is intended for the information and use of the audit committee, management, Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

February 9, 2005

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .50
FISCAL YEAR END JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA# 84.352A: School Renovation Grants
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2004-001

The Academy entered into a loan agreement with Huntington National Bank for the construction of the new school building in the amount of $409,998. During fiscal year 2004 the Bank made $229,972 in direct payments to the contractors on behalf of the Academy, however the fiscal officer failed to book the draw down and related expenditure of the loan.

To provide for completeness and accuracy in financial reporting, loan proceeds and related expenditure processed by the Bank should be posted to the books of the Academy.

SPRINGFIELD ACADEMY OF EXCELLENCE
CLARK COUNTY

FISCAL YEAR ENDED JUNE 30, 2004
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2003-001	Failure to follow established controls for non-payroll disbursements and failure to have original documentation (invoices)	Yes	Academy followed the established control procedures and maintained original documentation (invoices) for non-payroll cash disbursements.
2003-002	Failure to file Final Expenditure Report for Charter School Grant (CFDA# 84.282) in a timely manner	N/A	No longer valid as the Academy did not receive the grant during fiscal year 2004

Auditor of State
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SPRINGFIELD ACADEMY OF EXCELLENCE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2005