



Dave Yost • Auditor of State

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Academic Acceleration Academy
Franklin County
345 East Fifth Avenue
Columbus, Ohio 43201

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Academic Acceleration Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2012 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Academic Acceleration Academy, Franklin County, Ohio, as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 1, 2013

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The management's discussion and analysis of the Academic Acceleration Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2011. 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 fiscal year 2012 are as follows:

- In total, the net assets decreased \$48,772 from fiscal year 2011.
- The Academy had operating revenues of \$1,046,837 and operating expenses of \$1,350,022 during fiscal year 2012. The Academy also received \$250,743 in federal, state and local grants and \$3,670 in interest during fiscal year 2012.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy 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 2012?" 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-21 of this report.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

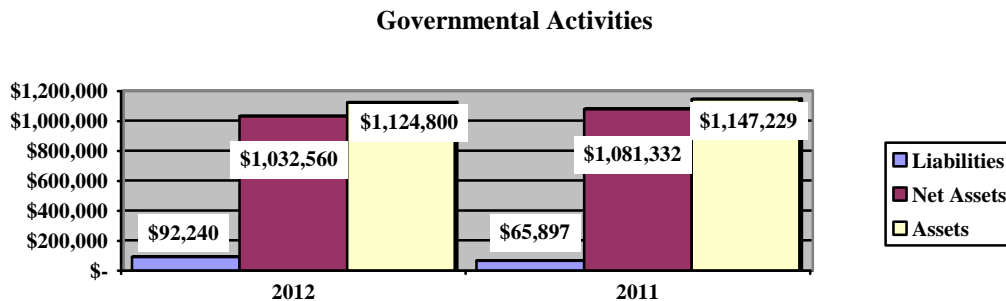
The table below provides a summary of the Academy's net assets at June 30, 2012 and June 30, 2011.

Net Assets		
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 1,099,059	\$ 1,116,356
Capital assets, net	<u>25,741</u>	<u>30,873</u>
 Total assets	 <u>1,124,800</u>	 <u>1,147,229</u>
<u>Liabilities</u>		
Current liabilities	<u>92,240</u>	<u>65,897</u>
 Total liabilities	 <u>92,240</u>	 <u>65,897</u>
<u>Net Assets</u>		
Invested in capital assets	25,741	30,873
Restricted	27,831	132,585
Unrestricted	<u>978,988</u>	<u>917,874</u>
 Total net assets	 <u>\$ 1,032,560</u>	 <u>\$ 1,081,332</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Academy's assets exceeded liabilities by \$1,032,560. Of this total, \$978,988 is unrestricted. Assets of the Academy decreased \$22,429 or 1.96%. This decrease is primarily due to a decrease in intergovernmental receivables. Liabilities increased \$26,343 due to more money due to the Educational Service Center of Central Ohio at year-end.

At year-end, capital assets represented 2.29% of total assets. Capital assets consisted of computers and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

The chart below illustrates the Academy's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The table below shows the changes in net assets for the fiscal year 2012 and fiscal year 2011.

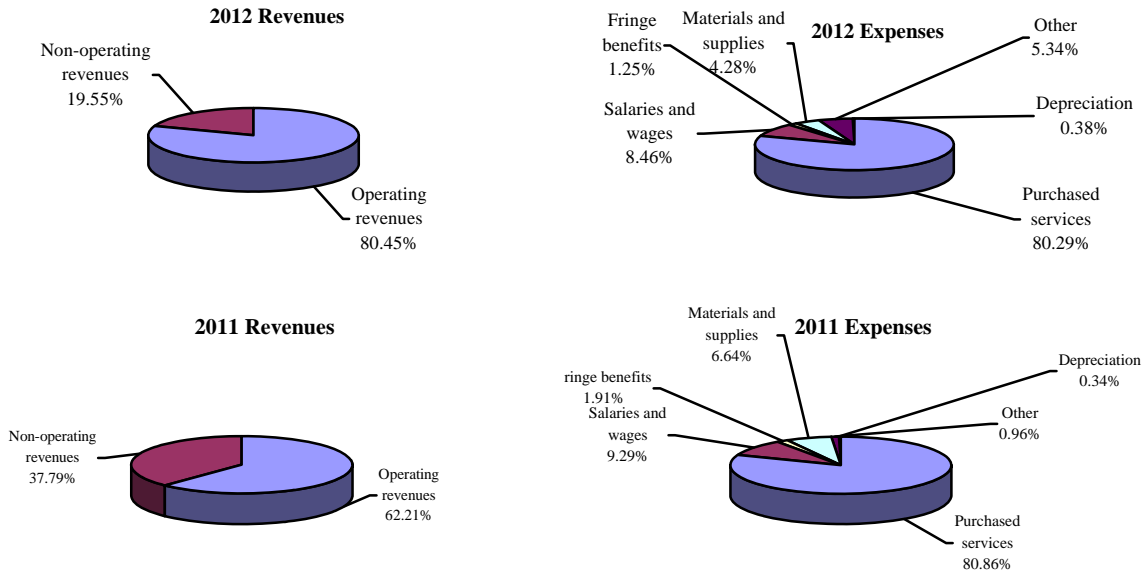
	2012	2011
<u>Operating Revenues:</u>		
State foundation	\$ 1,021,639	\$ 1,034,140
Sales/charges for services	2,210	2,845
Other revenues	22,988	24,059
Total operating revenue	1,046,837	1,061,044
<u>Operating Expenses:</u>		
Salaries and wages	114,242	140,289
Fringe benefits	16,896	28,896
Purchased services	1,083,857	1,221,326
Materials and supplies	57,794	100,303
Other	72,101	14,435
Depreciation	5,132	5,133
Total operating expenses	1,350,022	1,510,382
<u>Non-operating revenues (expenses):</u>		
Federal, state and local grants	250,743	639,593
Loss on disposal of capital assets	-	(62,941)
Interest income	3,670	4,897
Total non-operating revenues (expenses)	254,413	581,549
Change in net assets	(48,772)	132,211
Net assets at the beginning of the year	1,081,332	949,121
Net assets at the end of the year	\$ 1,032,560	\$ 1,081,332

Operating revenues decreased \$14,207 or 1.34% due to a decrease in state foundation revenue. This decrease was the result of a decrease in student enrollment during the year. Operating expenses decreased \$160,360 or 10.62%. This decrease is the result of a decrease in professional and technical services from a new sponsorship agreement with the Educational Service Central of Central Ohio.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The charts below illustrate the revenues and expenses for the Academy for fiscal year 2012 and 2011.



Capital Assets

At June 30, 2012, the Academy had \$25,741 invested in computers and equipment. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Computers and equipment	\$ 25,741	\$ 30,873

Current Financial Related Activities

The Academy is sponsored by the Educational Service Central of Central Ohio. The Academy relies primarily on the State Foundation funds and federal and state operating grants.

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 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 citizens, taxpayers, and investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Arlene Wilson, Treasurer, Charter School Specialists, 40 Hill Road South, Pickerington, OH 43147.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$	777,602
Investments		228,809
Receivables:		
Accounts		5,252
Accrued interest.		1,628
Intergovernmental.		82,616
Prepayments		3,152
		1,099,059
Total current assets		1,099,059

Non-current assets:

Depreciable capital assets, net		25,741
Total non-current assets.		25,741
Total assets.		1,124,800

Liabilities:

Accounts payable.		12,500
Accrued wages and benefits		13,729
Pension obligation payable.		2,018
Intergovernmental payable		63,993
		92,240
Total liabilities		92,240

Net assets:

Invested in capital assets		25,741
Restricted for:		
Restricted for locally funded programs.		293
State funded programs		6,862
Federally funded programs		20,676
Unrestricted.		978,988
		978,988
Total net assets	\$	1,032,560

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Operating revenues:

State foundation	\$ 1,021,639
Sales/charges for services.	2,210
Other revenues	22,988
Total operating revenues	<u>1,046,837</u>

Operating expenses:

Salaries and wages.	114,242
Fringe benefits.	16,896
Purchased services.	1,083,857
Materials and supplies	57,794
Other operating expenses	72,101
Depreciation	5,132
Total operating expenses.	<u>1,350,022</u>

Operating loss	<u>(303,185)</u>
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Non-operating revenues:

Federal, state and local grants	250,743
Interest income	3,670
Total nonoperating revenues	<u>254,413</u>

Change in net assets.	(48,772)
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Net assets at beginning of year	<u>1,081,332</u>
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Net assets at end of year.	<u>\$ 1,032,560</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities:	
Cash received from state foundation	\$ 1,022,812
Cash received from sales/charges for services.	2,210
Cash received from other operations	22,988
Cash payments for salaries and wages.	(122,359)
Cash payments for fringe benefits	(23,325)
Cash payments for purchased services	(1,053,745)
Cash payments for materials and supplies	(58,045)
Cash payments for other expenses	(67,985)
	<hr/>
Net cash used in operating activities	(277,449)
	<hr/>
Cash flows from noncapital financing activities:	
Federal, state and local grants	409,213
	<hr/>
Net cash provided by noncapital financing activities.	409,213
	<hr/>
Cash flows from investing activities:	
Interest received	2,146
Purchase of investments	(75,516)
	<hr/>
Net cash used in investing activities	(73,370)
	<hr/>
Net increase in cash and cash equivalents	58,394
Cash and cash equivalents at beginning of year	719,208
Cash and cash equivalents at end of year	<u><u>\$ 777,602</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (303,185)
Adjustments:	
Depreciation	5,132
Changes in assets and liabilities:	
(Increase) in accounts receivable	(5,252)
Decrease in intergovernmental receivable	1,802
(Increase) in prepayments	(2,289)
Increase in accounts payable.	9,249
(Decrease) in accrued wages and benefits	(8,117)
Increase in intergovernmental payable	30,028
(Decrease) in pension obligation payable	(4,817)
	<hr/>
Net cash used in operating activities	<u><u>\$ (277,449)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

The Academy was certified by the State of Ohio Secretary of State as a non-profit organization on March 7, 2006. The Academy was approved for operation under a contract with the Columbus City Schools as the sponsor for five years commencing July 1, 2006 and continuing through June 30, 2011. On June 17, 2011, the Academy approved an agreement to change sponsors to the Education Service Center of Central Ohio (the "Sponsor"). The agreement is for the period July 1, 2011 through June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. Charter School Specialists, LLC ("CSS") serves as the fiscal agent for the Academy (See Note 8). The Academy served 170 students during fiscal year 2012 and was the 771st largest by enrollment among the 918 public school districts and community schools in the State.

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

The Sponsor, under a purchased services basis with the Academy, provides planning, instructional, administrative and technical services. Certified personnel providing services to the Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions (See Note 8).

During fiscal year 2012, the Academy had a personnel agreement with the Charter School Specialists, LLC ("CSS"). Under this agreement, non-certificated personnel providing services to the Academy on behalf of CSS under the purchased service basis are considered employees of CSS, and CSS is solely responsible for all payroll functions (See Note 8).

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments, boards, and agencies that are not legally separate from the Academy. For the Academic Acceleration Academy, this includes instructional activities of the Academy.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY - (Continued)

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization's Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization's resources; the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget and issuance of debt. The Academy has no component units.

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) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

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

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

D. Cash and Investments

Cash received by the Academy is maintained in demand deposit accounts.

During fiscal year 2012, investments were limited to investments in non-negotiable certificates of deposit. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. During fiscal year 2012, the Academy maintained a capital asset threshold of \$2,000. 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.

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

F. Net Assets

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

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

G. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, School Improvement Stimulus grant, IDEA VI-B grant, Title I grant, Drug Free School grant, Title II-D, EMIS grant, Education Jobs grant and the Improving Teacher Quality grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, and matching requirements, in which the Academy must provide local resources to be used for a specified purpose. Federal, State and local grant revenue for fiscal year 2012 was \$250,743.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

H. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2012. These expenses are reported as accrued liabilities in the accompanying financial statements.

I. Prepayments

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

J. Operating Revenues and Expenses

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

K. Estimates

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

L. Economic Dependency

The Academy receives approximately 98% 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - CASH AND CASH EQUIVALENTS

Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all Academy deposits, including \$228,809 of nonnegotiable certificates of deposit, was \$1,006,411. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, all of the Academy's bank balance of \$1,089,029 was covered by the Federal Deposit Insurance Corporation.

NOTE 5 - RECEIVABLES

At June 30, 2012, receivables consisted of accrued interest receivable and intergovernmental receivables. The receivables are expected to be collected in full within one year. A summary of the receivables follows:

	Amount
Intergovernmental receivables:	
Title II-D	\$ 979
IDEA Part-B	7,061
Title I	64,780
Payment from SERS	340
Payment from ODE	1,243
Education jobs	8,213
Total intergovernmental receivables	82,616
Accounts receivable	5,252
Accrued interest receivable	1,628
Total receivables	\$ 89,496

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012
Equipment	\$ 54,143	\$ -	\$ -	\$ 54,143
Less: accumulated depreciation	(23,270)	(5,132)	-	(28,402)
Net capital assets	\$ 30,873	\$ (5,132)	\$ -	\$ 25,741

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and technical services	\$ 933,388
Property services	34,698
Travel milage/meetings	300
Communications	31,791
Utilities	20,719
Other purchased services	<u>62,961</u>
Total	<u>\$ 1,083,857</u>

NOTE 8 - SERVICE AGREEMENTS

A. Charter School Specialists, LLC

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of twelve months commencing July 1, 2011, to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services. The School paid CSS \$38,209 in service fees for fiscal year 2012.

B. Educational Service Center of Central Ohio

The Community School Sponsorship Contract between the Academy and Educational Service Center of Central Ohio (the "Sponsor") outlined the specific payments to be made by the Academy to the Sponsor during fiscal year 2012.

Under the Community School Sponsorship Contract, the Academy agrees to pay the following:

1. The Academy shall annually pay to Sponsor, from the funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code, a portion of such funds. Per student payments shall be calculated against the state foundation formula, with the per student calculation set at three percent (3%) of the state foundation payment per pupil, as provided for by the State of Ohio. The schedule for such payments shall be as mutually agreed by the parties, and the amount of such payments may be varied by mutual agreement of the parties. It is further agreed that up to twenty-five percent (25%) of these fees shall be set aside by the Sponsor and earmarked annually for professional development or other related services for the Board.
2. In the event that the Sponsor, as permitted herein, provides special education and related services required by a student's IEP, the Academy shall pay to the Sponsor the funds received by the Academy from the Department of Education on account of such student, except that the Academy may retain sufficient funds to cover its actual costs related to such student, if any.
3. The Academy shall pay to Sponsor such other amounts as are mutually agreed, including fees for any services provided to the Academy by the sponsor.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 8 - SERVICE AGREEMENTS - (Continued)

B. Educational Service Center of Central Ohio (Continued)

4. Upon dissolution, the Academy, as a "Public Benefit Corporation" under Section 1702.01 (P) of the Ohio Revised Code, shall distribute any remaining assets to another community school, public benefit corporation or other entity that is recognized as except under section 501 c (3) of the Internal Revenue Code of 1986 as amended.

During the fiscal year ended June 30, 2012, the Academy made payments of \$815,138 to the Sponsor, which includes the 3 percent fee plus the Academy's reimbursement for payroll and benefit expenditures of certificated personnel.

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2012, the Academy had general liability insurance through Wells Fargo Insurance Services of Ohio, LLC.

Settled claims have not exceeded commercial coverage in the past year. There was no significant reduction in coverage from the prior fiscal year.

NOTE 10 - CONTINGENCIES

A. Grants and ADM

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy anticipates a minimal adjustment to State funding for fiscal year 2013 as a result of the review.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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. It is also posted on the SERS' Ohio website, 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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012 and 2011 were \$5,005 and \$551, respectively; 100 percent has been contributed for fiscal years 2012 and 2011.

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 website at www.strsoh.org, under "Publications".

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.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 2012, 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.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012 and 2011 were \$10,783 and \$14,791, respectively; 100 percent has been contributed for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2012 were \$236 made by the Academy and \$169 made by the plan members.

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 Section 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 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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, under "Employers/Audit Resources".

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System (Continued)

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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

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, 2012 and 2011 were \$217 and \$67 respectively; 100 percent has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012 and 2011 were \$296 and \$35, respectively; 100 percent has been contributed for fiscal years 2012 and 2011.

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, under "Publications" 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 2012, 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, 2012 and 2011 were \$829 and \$1,138, respectively; 100 percent has been contributed for fiscal years 2012 and 2011.

**ACADEMIC ACCELERATION ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - SUBSEQUENT EVENTS

On July 20, 2012, the Academy has changed its name to Early College Academy and changed its curriculum to an early college curriculum whereby students receive both high school and college credit for certain courses (dual credit).

The Academy's contract with its sponsor, the Educational Service Center of Central Ohio, expired June 30, 2013; on August 1, 2013 the parties entered into a new three-year sponsorship contract through August, 2016 with substantially the same terms.

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Dave Yost • Auditor of State

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

Academic Acceleration Academy
Franklin County
345 East Fifth Avenue
Columbus, Ohio 43201

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the basic financial statements of the Academic Acceleration Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2012, and the related notes to the financial statements, and have issued our report thereon dated August 1, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

August 1, 2013



Dave Yost • Auditor of State

ACADEMIC ACCELERATION ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 3, 2013