

PLYMOUTH EDUCATIONAL CENTER

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2010

PLYMOUTH EDUCATIONAL CENTER
FINANCIAL STATEMENTS
JUNE 30, 2010

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
The Plymouth Educational Center

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Plymouth Educational Center as of and for the year ended June 30, 2010, as listed in the accompanying 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.

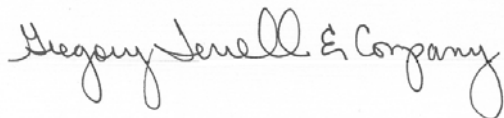
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and 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 governmental activities, each major fund and the aggregate remaining fund information of the Plymouth Educational Center as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated November 10, 2010 on our consideration of the Plymouth Educational Center'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

GREGORY TERRELL & COMPANY
Certified Public Accountants

November 10, 2010

PLYMOUTH EDUCATIONAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2010

This section of Plymouth Educational Center's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2010. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Plymouth Educational Center financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund, with all other funds presented in one column as nonmajor funds.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

PLYMOUTH EDUCATIONAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2010

Reporting the Academy as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The Statement of Net Assets and the Statement of Activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics, after school programs and food services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using grants, and other money. The governmental funds of the Academy use the following accounting approach:

Governmental Funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

PLYMOUTH EDUCATIONAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2010

The Academy as a Whole

Recall that the Statement of Net Assets provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net assets as of June 30, 2010 and 2009:

Table 1

	<u>Governmental Activities</u>	
	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Current Assets	\$ 5,540,187	\$ 3,154,050
Noncurrent Assets	<u>12,597,912</u>	<u>12,996,031</u>
Total Assets	<u>\$ 18,138,099</u>	<u>\$ 16,150,081</u>
Liabilities		
Current Liabilities	\$ 4,003,064	\$ 1,571,262
Noncurrent Liabilities	<u>13,784,499</u>	<u>14,093,570</u>
Total Liabilities	<u>17,787,563</u>	<u>15,664,832</u>
Net Assets		
Investment in Capital Assets	\$ (3,132,984)	\$ (2,791,546)
Restricted	1,622,525	1,584,178
Unrestricted	<u>1,860,995</u>	<u>1,693,217</u>
Total Net Assets	<u>\$ 350,536</u>	<u>\$ 485,849</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's governmental activities is discussed below. The Academy's unrestricted net assets were \$1,860,995 and \$1,693,217 at June 30, 2010 and 2009, respectively. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

PLYMOUTH EDUCATIONAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2010

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (Table 2), which shows the increase in net assets for the fiscal year ending June 30, 2010 and 2009 were:

Table 2

	<u>Governmental Activities</u>	
	<u>Year Ending June 30</u>	
	<u>2010</u>	<u>2009</u>
Revenue		
Program Revenue:		
Operating Grants	\$ 1,991,311	\$ 1,997,099
Charges for Service	67,032	76,912
General Revenue:		
State Foundation Allowance	8,241,951	6,947,526
Miscellaneous Revenue	<u>185,683</u>	<u>456,089</u>
Total Revenue	<u>\$ 10,485,977</u>	<u>\$ 9,477,626</u>
Functions/Program Expenditures		
Instruction	\$ 4,390,299	\$ 4,860,522
Support Services	4,331,137	3,701,013
Food Services	495,165	343,858
Athletics	58,445	34,949
Latchkey	27,913	57,423
Interest on Long-Term Debt	711,955	718,180
Unallocated Depreciation	398,528	202,497
Refunding Bond Expenses	<u>207,848</u>	<u>103,924</u>
Total Expenditures	<u>\$ 10,621,290</u>	<u>\$ 10,022,366</u>
Increase (Decrease) in Net Assets	<u>\$ (135,313)</u>	<u>\$ (544,740)</u>

As reported in the Statement of Activities, the cost of all *governmental* activities for the year ended June 30, 2010 and 2009 were \$10.6 million and \$10 million, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$ 1,979,057 in 2010 and \$1,997,099 in 2009). We paid for the remaining "public benefit" portion of our governmental activities with \$8,241,951 in 2010 and \$6,947,526 in 2009 with State foundation allowance, and with our other revenues, i.e., interest and contributions.

PLYMOUTH EDUCATIONAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2010

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

During the 2009 – 2010 fiscal year the Academy outsourced the Business Office operations to a full-service accounting firm to prepare the budget, and ensure that the proper communications, reporting and procedures were in place to keep the expenditures under appropriations. During the 2009 – 2010 year, the academy met the requirements of the Uniform Budget and Accounting Act. Additionally, this year the Academy was able to increase the General Fund's fund balance by \$318,484. This is a huge improvement from the previous fiscal year. The Academy will continue to follow the procedures recently put in place to ensure that each year the Academy improves its financial position in the midst of an uncertain economic environment.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Academy's 2010-2011 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010-2011 fiscal year is 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The Academy has budgeted its enrollment at 1244 students for the 2010-2011 school year, which is an increase of 103 students from the 2009-2010 school year. The Academy intends to add students at the elementary schools, as well as the high school.

Under State Law, the Academy cannot assess property taxes to fund general operations. As a result, the Academy revenue heavily depends on State funding and the health of the State's School Aid Fund. Moreover, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to forecast revenues

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, actual revenue received depends on the State's ability to collect revenues to fund its appropriation to its various school districts. The Governor recently signed into law the school aid bill, which increases the foundation allowance \$11 per pupil from the previous fiscal year, to a total of \$7,426 per student. The Academy prepared its 2011 budget assuming a foundation allowance of \$7,200, since the school aid bill was not finalized at the time. The Academy intends to amend its budget accordingly. In addition, it continues to be diligent in its spending and monitor its budget closely.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Office, Plymouth Educational Center, 1460 E. Forest, Detroit, MI 48207.

PLYMOUTH EDUCATIONAL CENTER
STATEMENT OF NET ASSETS
JUNE 30, 2010

		Governmental Activities
Assets:		
Cash and Cash Equivalents (Note 3)	\$	1,831,641
Receivables (Note 4)		1,712,003
Capital Assets - Net (Note 5)		10,722,528
Deferred Bond Issuance Costs (Note 8)		637,795
Deferred loss on Bond Issuance (Note 8)		1,237,589
Total Assets	\$	<u>16,141,556</u>
 LIABILITIES AND NET ASSETS 		
Liabilities:		
Accounts Payable	\$	942,212
Accrued Payroll and Other Liabilities		197,171
Notes Payable (Note 6)		407,500
Noncurrent liabilities (Note 8)		
Obligations due in more than one year		459,638
Obligations due in more than One year		13,784,499
Total Liabilities	\$	<u>15,791,020</u>
 Net Assets:		
Invested in Capital Assets Net of Related Debt	\$	(3,132,984)
Restricted for Debt Services		1,622,525
Unrestricted		1,860,995
Total Net Assets	\$	<u>350,536</u>
Total Liabilities and Net Assets	\$	<u>16,141,556</u>

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>Function / Programs</u>	<u>Expenses</u>	Program Revenues		Governmental Activities Net (expenses) Revenues and Changes in <u>Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 4,390,299	\$ -	\$ 1,408,780	\$ (2,981,519)
Support Services	4,331,137	-	10,897	(4,320,240)
Food Services	495,165	48,699	571,634	125,168
Athletics	58,445	18,217	-	(40,228)
Latchkey	27,913	116	-	(27,797)
Interest	711,955	-	-	(711,955)
Unallocated Depreciation	398,528	-	-	(398,528)
Refunding Bond Expenses	207,848	-	-	(207,848)
Total Governmental Activities:	\$ 10,621,290	\$ 67,032	\$ 1,991,311	\$ (8,562,947)
 General Revenues:				
State of Michigan School Aid Unrestricted				\$ 8,241,951
Miscellaneous Revenue				185,683
Total General Revenues				\$ 8,427,634
 Change in Net Assets				
				\$ (135,313)
 Net Assets, Beginning of Year				
				485,849
 Net Assets, Ending of Year				
				\$ 350,536

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Other</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total Governmental</u> <u>Funds</u>
ASSETS				
Assets				
Cash and Cash Equivalents	\$ 208,515	\$ 1,622,525	\$ 601	\$ 1,831,641
Due from Other Funds	1,521,186	-	475,357	1,996,543
Receivables	1,674,401	-	37,602	1,712,003
Total Assets	<u>\$ 3,404,102</u>	<u>\$ 1,622,525</u>	<u>\$ 513,560</u>	<u>\$ 5,540,187</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 862,035	\$ -	\$ 80,177	\$ 942,212
Accrued Expenditures	80,832	-	-	80,832
Notes Payable	407,500	-	-	407,500
Due to Other Funds	1,701,810	-	294,733	1,996,543
Total Liabilities	<u>\$ 3,052,177</u>	<u>\$ -</u>	<u>\$ 374,910</u>	<u>\$ 3,427,087</u>
 Fund Balances				
Restricted for Debt Service	\$ -	\$ 1,622,525	\$ -	\$ 1,622,525
Unreserved	351,925	-	138,650	490,575
Total Fund Balances	<u>\$ 351,925</u>	<u>\$ 1,622,525</u>	<u>\$ 138,650</u>	<u>\$ 2,113,100</u>
Total Liabilities and Fund Balance:	<u>\$ 3,404,102</u>	<u>\$ 1,622,525</u>	<u>\$ 513,560</u>	<u>\$ 5,540,187</u>

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

	Amount
Fund Balance - Total Governmental Funds	\$ 2,113,100
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:</p>	
<p>Capital Assets used in Governmental Activities are not financial resources and are not reported in the Governmental Funds:</p>	
The Cost of Capital Assets is	13,561,396
Accumulated Depreciation is	(2,838,868)
	10,722,528
<p>Long-Term Liabilities are not due and payable in the current period and are not reported in the Governmental Funds:</p>	
Bonds Payable	(12,965,000)
Compensated Absences	(388,625)
Other	(890,511)
<p>Accrued Interest Payable is not included as a liability in Governmental Funds</p>	
	(116,340)
<p>Bond Issuance Cost and Loss on Bond Issuance are amortized over the life of the bond issue in the Governmental Activities</p>	
	1,875,384
Net Assets - Governmental Activities	\$ 350,536

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local Sources	\$ 185,683	\$ -	\$ 67,032	\$ 252,715
State Sources	8,241,951	-	-	8,241,951
Federal Sources	<u>1,419,677</u>	-	<u>571,634</u>	<u>1,991,311</u>
Total Revenues	<u>\$ 9,847,311</u>	<u>\$ -</u>	<u>\$ 638,666</u>	<u>\$ 10,485,977</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 3,666,588	\$ -	\$ -	\$ 3,666,588
Added Needs	<u>723,711</u>	-	-	<u>723,711</u>
Total Instruction	<u>\$ 4,390,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,390,299</u>
Support Services:				
Pupil	\$ 218,944	\$ -	\$ -	\$ 218,944
General Administration	986,793	-	-	986,793
School Administration	983,009	-	-	983,009
Business	740,750	-	-	740,750
Operations and Maintenance	1,462,762	-	-	1,462,762
Instructional Staff	67,359	-	-	67,359
Central Support Services	<u>134,788</u>	-	-	<u>134,788</u>
Total Support Services	<u>\$ 4,594,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,594,405</u>
Athletics	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,445</u>	<u>\$ 58,445</u>
Latchkey	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,913</u>	<u>\$ 27,913</u>
Food Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,165</u>	<u>\$ 495,165</u>
Debt Services	<u>\$ -</u>	<u>\$ 1,110,778</u>	<u>\$ -</u>	<u>\$ 1,110,778</u>
Total Expenditures	<u>\$ 8,984,704</u>	<u>\$ 1,110,778</u>	<u>\$ 581,523</u>	<u>\$ 10,677,005</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 862,607</u>	<u>\$ (1,110,778)</u>	<u>\$ 57,143</u>	<u>\$ (191,028)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Loans	\$ 605,000	\$ -	\$ -	\$ 605,000
Operating Transfers In	125,010	1,274,135	-	1,399,145
Operating Transfers Out	<u>(1,274,135)</u>	<u>(125,010)</u>	-	<u>(1,399,145)</u>
Total Other Financing Sources	<u>\$ (544,125)</u>	<u>\$ 1,149,125</u>	<u>\$ -</u>	<u>\$ 605,000</u>
NET CHANGE IN FUND BALANCES	<u>\$ 318,482</u>	<u>\$ 38,347</u>	<u>\$ 57,143</u>	<u>\$ 413,972</u>
Beginning of Year	<u>33,443</u>	<u>1,584,178</u>	<u>81,507</u>	<u>1,699,128</u>
End of Year	<u>\$ 351,925</u>	<u>\$ 1,622,525</u>	<u>\$ 138,650</u>	<u>\$ 2,113,100</u>

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Governmental Funds	\$ 413,972
Amounts reported for governmental activities in the Statement of Activities that are different because:	
Governmental Funds report Capital Outlay as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as Depreciation:	
Depreciation Expense	(398,528)
Capital Outlay	207,657
Repayment of of Bond Principal and Note obligations are expenditures in the Governmental Funds, but not in Statement of Activities	454,434
Unamortized Bond Issuance Costs and Unamortized Loss on Bond Issuance are shown as expenditures in the Governmental Funds, but are allocated over the life of the issuance in the Statement of Activities	(207,848)
Issuance of new debt is recorded as Other Financing Sources in the Governmental Funds, but not in Statement of Activities	<u>(605,000)</u>
Change in Net Assets - Governmental Activities	<u>\$ (135,313)</u>

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 278,000	\$ 224,845	\$ 185,683	\$ (39,162)
State Sources	8,383,178	8,309,449	8,241,951	(67,498)
Federal Sources	<u>1,597,343</u>	<u>1,443,123</u>	<u>1,419,677</u>	<u>(23,446)</u>
Total Revenues	<u>\$ 10,258,521</u>	<u>\$ 9,977,417</u>	<u>\$ 9,847,311</u>	<u>\$ (130,106)</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 5,055,357	\$ 3,902,585	\$ 3,666,588	\$ 235,997
Added Needs	<u>319,558</u>	<u>654,478</u>	<u>723,711</u>	<u>(69,233)</u>
Total Instruction	<u>\$ 5,374,915</u>	<u>\$ 4,557,063</u>	<u>\$ 4,390,299</u>	<u>\$ 166,764</u>
Support Services:				
Pupil	\$ 184,515	\$ 225,404	\$ 218,944	\$ 6,460
Instruction Support	171,257	67,385	67,359	26
General Administration	1,289,789	1,168,322	986,793	181,529
School Administration	1,173,352	900,181	983,009	(82,828)
Business Service	355,244	448,205	740,750	(292,545)
Operations and Maintenance	1,246,591	1,439,226	1,462,762	(23,536)
Pupil Transportation	-	10,007	-	10,007
Central Support Services	<u>-</u>	<u>271,665</u>	<u>134,788</u>	<u>136,877</u>
Total Support Services	<u>\$ 4,420,748</u>	<u>\$ 4,530,395</u>	<u>\$ 4,594,405</u>	<u>\$ (64,010)</u>
Total Expenditures	<u>\$ 9,795,663</u>	<u>\$ 9,087,458</u>	<u>\$ 8,984,704</u>	<u>\$ 102,754</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 462,858</u>	<u>\$ 889,959</u>	<u>\$ 862,607</u>	<u>\$ (27,352)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from loans & Capital Leases	\$ 960,000	\$ 600,000	\$ 605,000	\$ 5,000
Operating Transfers In	-	-	125,010	125,010
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(1,274,135)</u>	<u>(1,274,135)</u>
Total Other Financing	<u>\$ 960,000</u>	<u>\$ 600,000</u>	<u>\$ (544,125)</u>	<u>\$ (1,144,125)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,422,858</u>	<u>\$ 1,489,959</u>	<u>\$ 318,482</u>	<u>\$ (1,171,477)</u>
Beginning of Year	<u>33,443</u>	<u>33,443</u>	<u>33,443</u>	<u>-</u>
End of Year	<u><u>\$ 1,456,301</u></u>	<u><u>\$ 1,523,402</u></u>	<u><u>\$ 351,925</u></u>	<u><u>\$ (1,171,477)</u></u>

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

PLYMOUTH EDUCATIONAL CENTER
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Food Services</u>	<u>Athletic Fund</u>	<u>Latchkey Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and Investments	\$ 601	\$ -	\$ -	\$ 601
Receivables	37,602			37,602
Due from Other Funds	<u>475,357</u>	<u>-</u>	<u>-</u>	<u>475,357</u>
Total Assets	<u>\$ 513,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,560</u>
Liabilities				
Accounts Payable	\$ 76,462	\$ 581	\$ 3,134	\$ 80,177
Due to Other Funds	<u>-</u>	<u>41,163</u>	<u>253,570</u>	<u>294,733</u>
Total Liabilities	<u>\$ 76,462</u>	<u>\$ 41,744</u>	<u>\$ 256,704</u>	<u>\$ 374,910</u>
Net Assets				
Unrestricted	<u>\$ 437,098</u>	<u>\$ (41,744)</u>	<u>\$ (256,704)</u>	<u>\$ 138,650</u>
Total Liabilities and Fund Balances	<u>\$ 513,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,560</u>

The accompanying notes are an integral part of this financial statement.

**PLYMOUTH EDUCATIONAL CENTER
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Food Services</u>	<u>Athletic Fund</u>	<u>Latchkey Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:				
Local Sources	\$ 48,699	\$ 18,217	\$ 116	\$ 67,032
State Sources	-	-	-	-
Federal Sources	<u>571,634</u>	<u>-</u>	<u>-</u>	<u>571,634</u>
Total Revenues	<u>\$ 620,333</u>	<u>\$ 18,217</u>	<u>\$ 116</u>	<u>\$ 638,666</u>
EXPENDITURES:				
Food Services	\$ 495,165	\$ -	\$ -	\$ 495,165
Athletics	-	58,445	-	58,445
Latchkey	<u>-</u>	<u>-</u>	<u>27,913</u>	<u>27,913</u>
Total Expenditures	<u>\$ 495,165</u>	<u>\$ 58,445</u>	<u>\$ 27,913</u>	<u>\$ 581,523</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 125,168</u>	<u>\$ (40,228)</u>	<u>\$ (27,797)</u>	<u>\$ 57,143</u>
NET CHANGE IN FUND BALANCES				
Beginning of Year	<u>311,930</u>	<u>(1,516)</u>	<u>(228,907)</u>	<u>81,507</u>
End of Year	<u>\$ 437,098</u>	<u>\$ (41,744)</u>	<u>\$ (256,704)</u>	<u>\$ 138,650</u>

The accompanying notes are an integral part of this financial statement.

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **ORGANIZATION**

Plymouth Educational Center (“the Academy”) is public school academy under the Michigan Revised School Code of 1976, as amended. The State of Michigan has delegated to Central Michigan University the responsibility of authorizing the establishment of public school academies and Central Michigan University approved the establishment of Plymouth Educational Center. Plymouth Educational Center was established pursuant to the Michigan School Code of 1976 (“Code”), as amended by Act No. 362 of the public Acts of 1993, being part 6A, Sections 380.501 to 380.507 of the Michigan Compiled Laws, and Act N. 416 of the Public Acts of 1994, being Part 6B, Section 380.511 and 380.518 of the Michigan Compiled Laws

Plymouth Educational Center entered into a contract with Central Michigan University. The contract requires Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. Central Michigan University is the fiscal agent for Plymouth Educational Center and is responsible for overseeing Academy’s compliance with the contract and all applicable laws. Plymouth Educational Center pays Central Michigan University three (3%) percent of its state aid as administrative fees. The total administrative fees paid for the year ended June 30, 2010 were \$240,540.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy’s activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS** (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the Academy-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state aid.

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Academy reports the following non-major governmental funds:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the general fund.

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

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

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by University Preparatory Academy are described below:

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounts

The General Fund budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978). A separate School Service Fund budget was adopted.

For the year ended June 30, 2010 expenditures exceeded appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Added Needs	\$ 654,478	\$ 723,711	\$ 69,233
School Administration	\$ 900,181	\$ 983,009	\$ 82,828
Business Services	\$ 448,205	\$ 740,750	\$ 292,545
Maintenance & Operations	\$ 1,439,226	\$ 1,462,762	\$ 23,536

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(3) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$1,831,641
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,847,828. Of this amount \$475,379 was covered by federal depository insurance and \$1,372,449 was uninsured and uncollateralized.

(4) **RECEIVABLES**

Receivables and due from other governmental units as of June 30, 2010 for the Academy's general fund and school service fund were as follows:

State of Michigan - State Aid	\$ 1,508,603
Skillman Foundation	100,000
State of Michigan	37,602
Others	<u>65,798</u>
Total	<u><u>\$ 1,712,003</u></u>

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(5) **CAPITAL ASSETS**

Capital assets activity of the Academy's governmental activities was as follows:

	Balance 1-Jul-09	Additions	Disposals	Balance 30-Jun-10
Capital Assets:				
Land	\$ 308,300	\$ -	\$ -	\$ 308,300
Building and Building Improvements	10,388,671	127,567	-	10,516,238
Assets under Capital Lease	700,050	-	-	700,050
Furniture & Equipments	709,437	80,090	-	789,527
Site Improvement	1,247,281	-	-	1,247,281
Total	\$ 13,353,739	\$ 207,657	\$ -	\$ 13,561,396
Accumulated Depreciation				
Building and Building Improvements	\$ 1,549,918	\$ 181,394	\$ -	\$ 1,731,312
Assets under Capital Lease	258,477	55,702	-	314,179
Furniture & Equipments	482,875	101,348	-	584,223
Site Improvement	149,070	60,084	-	209,154
Total	\$ 2,440,340	\$ 398,528	\$ -	\$ 2,838,868
Net Capital Assets	\$ 10,913,399	\$ (190,871)	\$ -	\$ 10,722,528

(6) **NOTES PAYABLE**

The Academy entered into an Agreement with the Michigan Public Educational Facilities Authority on behalf of the Academy for a State Aid Note in the amount of \$1.35 million. The Note is guaranteed by the Academy's State Aid payments. The note has an interest rate of 5.46% and is payable in five monthly principal and interest payments through July 2010. The balance of the note as of June 30, 2010 was \$337,500.

The Academy has entered into a note agreement with Comerica bank in the amount of \$700,000 payable in ten installments with interest rate of 5%. The outstanding balance as of June 30, 2010 was \$70,000.

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(7) **INTERFUND RECEIVABLES**

Interfund receivable and payables occur during the normal course of business and are settled routinely during the year.

Interfund Transfers

	Transfers In/Out- General Fund
Transfers In-Debt Service Fund	<u>\$ 1,274,135</u>
Transfers Out-Debt Service Fund	<u>\$ 125,010</u>

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(8) **LONG-TERM OBLIGATIONS**

The Academy issued bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Academy. Notes and installment purchase agreements are also general obligations of the Academy.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities					
Bonds	\$ 13,205,000	\$ -	\$ 240,000	\$ 12,965,000	\$ 245,000
Accrued Vacation Pay	388,625	-	-	388,625	-
Capital Lease Obligations	499,945	-	214,433	285,512	214,638
Loan	-	605,000	-	605,000	-
Total Governmental Activities	\$ 14,093,570	\$ 605,000	\$ 454,433	\$ 14,244,137	\$ 459,638

The Academy has issued \$13,580,000 in revenue and refunding bonds due in annual installments of \$225,000 to \$890,000 through November 2035, with interest ranging from 4% to 5.625%.

These bonds contain certain minimum fund balance covenants. The Academy must maintain an unrestricted fund balance in its general fund which equals not less than an amount calculated as a percentage of operating expenses for prior school year. This percentage ranges from 5% to 10% depending upon various criteria. If the minimum fund balance falls below the required amount as of June 30, the Academy must retain on an annual basis a minimum of 50% of excess net revenues until the center is in compliance with the minimum fund balance requirement.

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(8) **LONG-TERM OBLIGATIONS** (cont'd)

The annual requirements to service then bond payable outstanding to maturity, including both principal and interest are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 245,000	\$ 681,715	\$ 926,715
2012	255,000	669,215	924,215
2013	280,000	656,084	936,084
2014	290,000	642,440	932,440
2015	305,000	628,233	933,233
2016-20	1,750,000	2,892,600	4,642,600
2021-25	2,250,000	2,382,438	4,632,438
2026-30	2,910,000	1,702,406	4,612,406
2031-35	3,790,000	796,431	4,586,431
2036	<u>890,000</u>	<u>24,780</u>	<u>914,780</u>
Total	<u>\$ 12,965,000</u>	<u>\$ 11,076,342</u>	<u>\$ 24,041,342</u>

Loan - In April 2010, the Academy entered into a \$605,000 capital improvement loan from City First bank. The loan carries an interest rate of 2.00% and had an original maturity date of December 2010. The loan was subsequently amended to include three (3) twelve month extension periods.

Capital Lease Obligations – The Academy has a capital lease obligation is with Fidelity Bank. The lease began in October 2008 and carries a monthly payment of \$ 9,590 for 33 months. The outstanding lease obligation at June 30, 2010 is \$129,751. This obligation matures as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 102,397
2013	<u>27,354</u>
Total	<u>\$ 129,751</u>

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(8) **LONG-TERM OBLIGATIONS** (cont'd)

Capital Lease Obligations - In Fiscal 2007, the Academy entered into a trust indenture with charter FS of Michigan in connection with its revenue bonds, series 2005, the lease purchase agreement financing, in the amount of \$300,000, was to acquire turf grass for the Academy's athletic field. The lease was assigned to De Lage Landen Public Finance. The monthly lease payments of \$6,314 started on November 1, 2006 and will go through September 1, 2011. The outstanding lease obligation at June 30, 2010 is \$93,210. This obligation matures as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2011	\$ 66,739
2013	<u>26,471</u>
Total	<u>\$ 93,210</u>

Capital Lease Obligations - In fiscal 2007, the Academy entered into a lease purchase agreement with fifth third bank to acquire equipment and other items of personal property. \$200,000 was deposited into an escrow account allowing the Academy to pay vendors as equipment was acquired in 2007. The monthly lease payments of \$3,807 began on November 5, 2006 and will go through November 5, 2011. The outstanding lease obligation at June 30, 2010 is \$60,654. The obligation matures as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2011	\$ 43,604
2013	<u>17,050</u>
Total	<u>\$ 60,654</u>

PLYMOUTH EDUCATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

(8) **LONG-TERM OBLIGATIONS** (cont'd)

Capital Lease Obligations - In fiscal 2008, the Academy entered into a lease purchase agreement with key equipment for the purchase of security cameras. The capital value of the assets is \$54,000 and is reflected in the Statement of Net Assets. Monthly payments of \$1,898 will be made through July 2010. The outstanding balance at June 30, 2010 is \$1,898.

Defeased Debt - During 2006 the Academy issued \$13,850,000 in revenue and refunding bonds with interest rates ranging between 4.0 and 5.625 the proceeds of these bonds were used to advance refund \$11,100,000 of outstanding certificate serial bonds with interest rates ranging between 7.0 and 12.5%. The net proceeds of \$12,801,683 (after payment of \$797,245 in underwriting fees, insurance, and other issuance costs, as well as funds being utilized for capital projects) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Academy's financial records. The advance refunding increased total debt service payments over the next thirty years by approximately \$475,000 which represents an economic loss of approximately \$100,000. The outstanding balance on the defeased bonds at June 30, 2010 was \$10,425,000.

Bond Issuance Cost - The bond issuance costs of \$797,245 are being amortized over the life of the bond issuance. The unamortized balance at June 30, 2010 was \$637,795.

Loss on Bond Issuance - The loss on bond issuance of \$1,701,683 (proceeds of \$12,801,683 deposited with escrow agent less \$11,100,000 outstanding balance on defeased bonds) is being amortized over the weighted average life remaining on the defeased bonds. The unamortized balance at June 30, 2010 was \$1,237,589.

PLYMOUTH EDUCATIONAL CENTER
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2010

PLYMOUTH EDUCATIONAL CENTER
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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**GREGORY
TERRELL
& COMPANY**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Plymouth Educational Center

We have audited the financial statements of Plymouth Educational Center (the "Academy") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

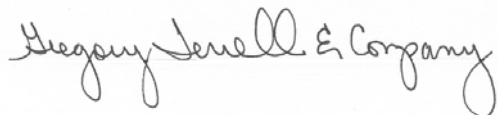
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as 2010-1 and 2010-2 in the accompany schedule of findings and questioned costs to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

GREGORY TERRELL & COMPANY

Certified Public Accountants

November 10, 2010



**GREGORY
TERRELL
& COMPANY**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Plymouth Educational Center

Compliance

We have audited Plymouth Educational Center (the “Academy”) compliance 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 each of its major federal programs for the year ended June 30, 2010. The Academy’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. 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 of the Academy’s compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Academy's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

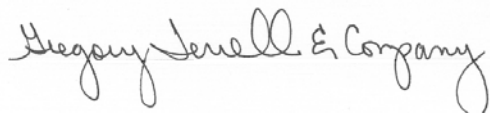
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Federal Awards

We have audited the basic financial statements of the Academy as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.



GREGORY TERRELL & COMPANY
Certified Public Accountants

November 10, 2010