



**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Chase Academy for Communication Arts
Franklin County
1533 Cleveland Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the accompanying basic financial statements of Chase Academy for Communication Arts, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chase Academy for Communication Arts, Franklin County, Ohio, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy is experiencing certain financial difficulties. Those difficulties and Management's Plans are discussed in Note 15.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2007, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 5, 2007

**CHASE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of the Chase Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2006. 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

- Total Assets were \$157,479.
- Total Liabilities were \$236,461.
- Total Net Assets were (\$78,982)
- Net Assets decrease \$101,339.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2006?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2006 compared to fiscal year 2005:

Table 1 Net Assets		
	2006	2005
Assets		
Current Assets	\$114,615	\$95,907
Capital Assets, Net	42,864	22,061
Total Assets	157,479	117,968
Liabilities		
Current Liabilities	236,461	95,611
Total Liabilities	236,461	95,611
Net Assets		
Invested in Capital Assets	42,864	22,061
Unrestricted	(121,846)	296
	(\$78,982)	\$22,357

**CHASE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Total assets increased by \$39,511, which represents a 33.49% increase from fiscal year 2005. While cash and cash equivalents increased by \$27,366, other current assets increased by \$18,708. Total liabilities increased by \$140,850, which is primarily due to accrued wages resulting from an increase in the number of employees, many of which are paid on a stretch pay basis and have not been paid the salary earned over the school year at fiscal year end, and an Intergovernmental payable due to the associated payments on retirements that were underpaid based on estimates in the prior year. The Academy's net assets decreased by \$101,339 representing a 453.27% decrease from 2005. This is due to a decrease in grant funding remaining to be spent at fiscal year end.

Table 2 shows the changes in net assets for fiscal year 2006 as compared to fiscal year 2005.

Table 2
Change in Net Assets

	2006	2005
Revenues		
Operating Revenues:		
Foundation Payments	1,400,934	534,216
Disadvantaged Pupil Impact Aid	-	172,437
Special Education	-	4,036
Food Services/Sales	4,562	3,456
Other Operating Revenues	1,317	7,122
Non-Operating Revenues:		
Federal and State Grants	333,979	234,100
Interest	-	3,500
Contributions and Donations	-	22
Total Revenues	1,740,792	958,889
Expenses		
Operating Expenses		
Salaries	923,711	427,113
Fringe Benefits	188,916	88,541
Purchased Services	617,910	327,162
Materials and Supplies	82,266	82,935
Depreciation	18,922	23,613
Miscellaneous	346	4,688
Non-Operating Expenses:		
Interest and Fiscal Charges	10,060	25
Total Expenses	1,842,131	954,077
Increase/(Decrease) in Net Assets	\$ (101,339)	\$ 4,812

There was an increase in revenues of \$781,903 and an increase in expenses of \$888,054 from fiscal year 2005. Of the increase in revenues, the foundation payments increased by \$866,718, due to the increase in enrollment. Community Schools receive no support from tax revenues. The increased revenues and expenses are the result of increased enrollment.

**CHASE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The expense for salaries increased by \$496,598 and the expense for fringe benefits increased by \$100,375 from fiscal year 2005. This was primarily due to the hiring of staff throughout the 2006 school year. Material and supplies expense decreased by \$669 due since many were purchased in the prior year start up of the school. Depreciation expense decreased by \$4,691, due to a leasehold improvement that was fully depreciated in 2005 due to the length of the lease. Purchased services increased \$290,748 due to expanded services the Academy entered into during their second year of operation with the increased enrollment.

Capital Assets

At the end of fiscal year 2006 the Academy had \$42,864 (net of accumulated depreciation) invested in capital assets. Table 3 shows fiscal year 2006 balances compared to fiscal year 2005:

Table 3
Capital Asset at June 30, 2006
(Net of Depreciation)

	2006	2005
Computer and Software	\$ 8,562	\$ 17,591
Furniture, Fixtures, and Equipment	19,962	4,470
Vehicles	14,340	-
Totals	<u>\$ 42,864</u>	<u>\$ 22,061</u>

For more information on capital assets, see Note 5 to the basic financial statements.

Debt

The Academy entered into a loan agreement during fiscal year 2006. The loan was received from an outside party in the amount of \$18,000. The loan was repaid during the fiscal year, and at June 30, 2006 the Academy had no debt outstanding. The loan was obtained for operating cash deficiencies.

Current Financial Issues

Chase Academy was formed in fiscal year 2004. The Academy's financial relationship with Lucas County Educational Service Center (through 12/31/05) and Ace Charter School Services (1/1/06 – current) aids in the raising of the quality of financial records and strengthens internal controls. During the 2005-2006 school year, there were approximately 219 (per ODE website) students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2006 amounted to \$5,655 per student (per ODE website).

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens 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 information contact Mrs. Celia Jones, Administrator of Chase Academy, located at 1533 Cleveland Avenue, Columbus, OH 43211 e-mail at jones0128@aol.com.

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CHASE ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets

Current Assets

Cash	\$ 80,784
Receivable - Accounts	5,000
Receivable - Intergovernmental	28,831
Total Current Assets	<u>114,615</u>

Non-Current Assets

Capital assets (Net of Accumulated Depreciation)	<u>42,864</u>
Total Assets	<u><u>157,479</u></u>

Liabilities and Fund Equity

Current Liabilities

Accounts Payable	43,192
Accrued Wages & Benefits	139,945
Intergovernmental Payable	46,294
Judgment Payable	7,030
Total Current Liabilities	<u>236,461</u>
Total Liabilities	<u>236,461</u>

Net Assets

Invested in Capital Assets	42,864
Unrestricted	(121,846)
Total Net Assets	<u><u>\$ (78,982)</u></u>

The accompanying Notes are an integral part of the Financial Statements

**CHASE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

Operating Revenues	
Sales	4,562
Foundation Payments	1,400,934
Other Operating Revenues	1,317
Total Operating Revenues	<u>1,406,813</u>
Operating Expenses	
Salaries & Wages	923,711
Fringe Benefits	188,916
Purchased Services	617,910
Materials & Supplies	82,266
Depreciation	18,922
Miscellaneous	346
Total Operating Expenses	<u>1,832,071</u>
Operating Loss	(425,258)
Non-Operating Revenues and (Expenses)	
State Subsidies	29,644
Federal Subsidies	304,335
Interest and Fiscal Charges	(10,060)
Total Non-Operating Revenues and (Expenses)	<u>323,919</u>
Net Loss	(101,339)
Net Assets Beginning of Year	<u>22,357</u>
Net Assets End of Year	<u><u>(78,982)</u></u>

The accompanying Notes are an integral part of the Financial Statements

**CHASE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Cash Flows from Operating Activities

Cash received from Sales	\$ 4,562
Cash received from Foundation Payments	1,420,749
Cash received from Other Operating Revenues	1,317
Cash payments for Personal Services	(978,666)
Cash payments for Contract Services	(629,418)
Cash payments for Supplies and Materials	(87,927)
Cash payments for Miscellaneous	(346)
Net Cash Provided By/(Used for) Operating Activities	<u>(269,729)</u>

Cash Flows from Noncapital Financing Activities

Cash from Federal & State Subsidies	343,889
Net Cash from Noncapital Financing Activities	<u>343,889</u>

Cash Flows from Capital and Related Financing Activities

Proceeds of loan	18,000
Payments for Capital Acquisitions	(46,687)
Principal Payment	(18,000)
Net Cash Used for Capital and Related Financing Activities	<u>(46,687)</u>

Net increase in cash and cash equivalents :	27,366
Cash and cash equivalents at beginning of year	53,418
Cash and cash equivalents at end of year	<u>80,784</u>

**Reconciliation of Operating Loss to Net Cash
Provided By (Used for) Operating Activities**

Operating Loss	(425,258)
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**Adjustments to Reconcile Operating Loss to Net
Cash Provided by (Used for) Operating Activities**

Depreciation	18,922
Changes in Assets and Liabilities:	
Accounts Receivable	(5,000)
Prepays	756
Accounts Payable	(12,043)
Wages payable	108,472
Intergovernmental Payable	37,392
Judgment Payable	7,030
Total Adjustments	<u>155,529</u>

Net cash provided (used) by operating activities	<u>\$ (269,729)</u>
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The accompanying Notes are an integral part of the Financial Statements

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**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Chase Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The Academy has not applied for its tax-exempt status under Section 501(c) (3) of the Internal Revenue Code exclusively for educational purposes. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Buckeye Community Hope Foundation (the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. ACE Charter School Services currently serves (January 1, 2006 to present) as the Fiscal Agent (See Note 10). Prior to ACE, Lucas County Educational Service Center served as the Fiscal Agent (January 2004 to December 31, 2005).

The Academy operates under the direction of a seven-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 18 certificated full-time teaching personnel and 5 classified staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activity.

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. 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 Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center July 1, 2005 through December 31, 2005 and Ace Charter School Services January 1, 2006 through present. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. The Academy did not have any investments during fiscal year 2006.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond fiscal year end, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Debt

The Academy entered into one loan agreement during fiscal year 2006. The loan was with a private outside party in the amount of \$18,000. It was repaid by June 30, 2006.

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000. The Academy does not possess 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. Interest incurred during the construction of capital assets is also capitalized. The Academy did not capitalize interest during the year.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5
Computers	3
Vehicles	5
Leasehold Improvements	1

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

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 year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 to offset start-up costs of the Academy. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the year ended 2006 totaled \$1,734,913.

J. Estimates

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

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has no debt at June 30, 2006.

3. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure the Academy's deposits may not be returned. The Academy does not have a policy for custodial risk.

At June 30, 2006, the carrying amount of the Academy's deposits was \$80,784 and the bank balance was \$88,771. The bank balance was covered by federal depository insurance.

4. RECEIVABLES

Receivables at June 30, 2006, consisted of accounts and intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
Accounts	\$ 5,000
<u>Intergovernmental</u>	
Title I	24,823
Title V	576
Title IID	<u>3,432</u>
Total Intergovernmental	28,831
Total Receivables	<u>\$ 33,831</u>

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 5,587	\$ 21,800	\$ -	\$ 27,387
Computers & Software	27,087			27,087
Vehicles	-	\$ 17,925		17,925
Leasehold Improvements	13,000	-	-	13,000
Total Capital Assets				
Being Depreciated	45,674	39,725	-	85,399
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(1,117)	(6,308)	-	(7,425)
Computers & Software	(9,496)	(9,029)		(18,525)
Vehicles	-	(3,585)		(3,585)
Leasehold Improvements	(13,000)	-	-	(13,000)
Total Accumulated Depreciation	(23,613)	(18,922)	-	(42,535)
Capital Assets, Net of A/D	<u>\$ 22,061</u>	<u>\$ 20,803</u>	<u>\$ -</u>	<u>\$ 42,864</u>

6. SHORT-TERM DEBT

The Academy entered into a loan agreement during fiscal year 2006 with an outside party in the amount of \$18,000. There was no interest on the loan and the loan was obtained for operating cash deficiencies.

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
Loan at 0% Interest	\$ -	\$ 18,000	\$ 18,000	-

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2006, the Academy contracted with the Erie Insurance Group for liability insurance. The general liability coverage is in the amount of \$2,000,000 aggregate.

Settled claims have not exceeded this commercial coverage. The Academy owns no real estate, but leased a facility located at 2283 Sunbury Rd., Columbus, Ohio. (See Note 11)

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor calculated by the State.

C. Other Employee Benefits

The Academy has contracted with a private carrier to provide employee medical, dental, and insurance to its full time employees.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853...

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute an actuarially determined rate. The employer rate is currently 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder used to fund health care benefits; for fiscal year 2006, 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The Academy's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2006 and 2005 were \$16,440 and \$12,750 respectively. A liability of \$8,034 has been recorded as intergovernmental payable.

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strs.org.

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (Continued)

New members have a choice of three retirement plan options. A Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, 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 recommendation 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 contribution for pension obligations for the fiscal years ended June 30, 2006 and 2005 were \$91,212 and \$45,692, respectively; a liability of \$19,340 has been recorded as intergovernmental payable.

9. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay as you go basis.

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

9. POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year June 30, 2006, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$6,515 for the fiscal year ended June 30, 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. For the fiscal year ended June 30, 2005 (the latest information available) the balance in the fund was \$3.3 billion. For fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS the coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. (Premiums may be reduced for retirees whose household income falls below the federal poverty level.)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$3,124.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the projected claims less premium contributions for the next fiscal year for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005 SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

10. FISCAL AGENT

The Academy had a service agreement as part of its Sponsorship contract with the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy through December 31, 2005. A total contract payment of \$20,523 was paid during the fiscal year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

10. FISCAL AGENT (Continued)

- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy as long as the proposed expenditure is within the approved budget and funds are available.

The Academy entered into a service agreement as part of its Sponsorship contract with the ACE Charter School Services January 1, 2006 to serve as the Chief Fiscal Officer of the Academy. A total contract payment of \$16,174 was paid during the fiscal year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Work with the school administration to develop and implement Standard Operating Procedures for fiscal and budgetary transactions of the school.
- Oversee the implementation of the State of Ohio Uniform School Accounting System for all financial activities of the school.
- Regularly monitor all financial transactions of the school to insure compliance with applicable rules, regulations, and laws.
- Assist the school administration in the preparation of an appropriation budget resolution.
- Be available throughout the workweek to answer any questions or resolve financial related concerns.
- Review all month end annual financial reports.
- Assure that financial records are achieved properly for use in the conduct of the school audit at the end of the fiscal year.
- Provide records and reports to the State Auditor upon request during the annual audit of the school financial records provided such records are regularly produced and maintained as part of the financial operation of the school.
- Assist in the preparation of the 4502 report at the end of the fiscal year.
- Assist school personnel in the use of the ADM Accounting System to enter requisitions and to monitor financial transactions.
- Serve as an additional school contact person with the School Employees Retirement System and the State Teachers Retirement System.

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

11. OPERATING LEASES – LESSEE DISCLOSURE

In September 2005, the Academy entered into an operating lease agreement for one year with My Brother's Keeper to lease space to house the Academy. Rental payments totaled \$161,158 for the fiscal year. Rental payment rates are contingent on the enrollment of children attending the Academy, with a minimum of \$14,000 a month. The lease agreement ended August 6, 2007.

12. PURCHASED SERVICES

For the period July 1, 2005 through June 30, 2006, purchased service expenses were as follows:

<u>PURCHASED SERVICES</u>	
Professional and Technical Services	\$ 285,305
Property Services	161,158
Travel Mileage/Meeting Expense	3,011
Communications	1,527
Transportation	73,213
Other Purchased Services	<u>93,696</u>
Total Purchased Services	<u><u>\$ 617,910</u></u>

13. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement 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. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements.

B. Full-Time Equivalency

The Ohio Department of Education conducts reviews 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. ODE's review of the Academy's 2005 and 2006 student enrollment data and FTE calculations identified an overpayment of \$18,920 that has been recorded as an Intergovernmental Payable liability on the financial statements. The amount will be deducted directly from the monthly foundation payment to the Academy over a period totaling 11 months.

C. Litigation – ODE

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on Chase Academy is not presently determinable.

**CHASE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(CONTINUED)**

14. RELATED PARTY TRANSACTIONS

The Executive Director of the Academy approved the hiring, which included salary compensation, of her great-niece for a salary of \$2,250 during the time she was employed during fiscal year 2006.

The Board of Trustees approved a contract to utilize Diversified Community Services, Inc. The CEO of the company, Fred Borger was also a Board member for the Academy at the time of the contract approval. The Academy paid the company \$15,000 for transportation and student food service programs.

15. MANAGEMENT PLAN

The Administration and Chase Academy Board of Directors continually identified developed and implemented programs and activities that generated additional revenue. There were circumstances when that increased revenue helped the school remain financially viable during times when State funding was insufficient to cover operational costs. However, when shortfalls occurred because of insufficient enrollment or reserve funds, the following measures were implemented to decrease obligations and align them with the cash flow received:

- A Board of Director's review of operations will identify expenditures to be temporarily or permanently eliminated.
- Finance Committee will create, monitor and adjust budget as needed to proactively identify and remediate any potential deficits in operations funds.
- Increase enrollment of special needs students that can be served by current staff.
- Reduce hours and number of hourly staff.
- Reduce wages of salaried staff and assign additional duties permitted by licensure.
- Consolidate and eliminate positions.
- Purchase less expensive basic supplies and manage cost effective usage of items.
- Secure an affordable facility that supports program expansion
- Maximize utilization of non-foundation funds for salaries and program development.
- Eliminate out-sourced labor when appropriate.
- Develop and implement an affordable salary and benefits program.
- Increase grant writing to secure additional funds.
- Implement less expensive, but effective academic programs.

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Mary Taylor, CPA

Auditor of State

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

Chase Academy for Communication Arts
Franklin County
1533 Cleveland Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the basic financial statements of Chase Academy for Communication Arts, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2006, and have issued our report thereon dated June 5, 2007, wherein we noted the Academy is experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-007 through 2006-021.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2006-010 and 2006-018 listed above to be a material weakness. In a separate letter to the Academy's management dated June 5, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-009. In a separate letter to the Academy's management dated June 5, 2007, we reported an other matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management, the finance committee, and the Board of Directors. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 5, 2007

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

Finding Number	2006-001
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Related Party Transactions

Ohio Rev. Code Section 102.03(D) provides that no public official or employee shall use or authorize the authority or influence of office or employment to secure anything of value that is of such character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. Furthermore, Ohio Rev. Code Section 2921.42(A) provides that a public official may not knowingly (1) authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of their family, or any of their business associates has an interest or (4) have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The Executive Director of the Academy, Celia Jones, hired and set the compensation of her great niece, Toyshan Jones as an Administrative Assistant of the Academy. The related compensation totaled \$2,250 during the 2006 school year.

Board Member Fred Borger was Chief Executive Officer of Diversified Community Services, Inc. at the time the Academy entered into a contract with the company for services. This contract was not authorized by the Board of Directors. Mr. Borger additionally authorized the billing of services sent to the Academy by his company for payment. The total paid to Diversified Community Services, Inc. for pupil transportation and student food service programs totaled \$15,000.

We recommend the Board of Directors abstain from voting on any dealings with related parties and consult with the Ethics Commission of Ohio on how to precede in future transactions involving the Academy and related parties when they arise before such transactions are consummated.

Official's Response: Compliance with Ohio Revised Code Section 102.03 (D) and 2921.42 (A) will be assured as the Chase Academy Board of Directors will avoid employing relatives of Board members or administrators in the future.

No Board member has or will influence the Board to secure contracts in which they have an interest. Mr. Borger resigned from the Board prior to the contract being entered into with Diversified Community Services and the contract was authorized by the Board since it has the lowest cost of all possible transportation companies interested in serving Chase Academy.

Auditor of State Conclusion: Mr. Borger was a member of the Academy's Board until the June 3, 2006 Board meeting, at which time he was removed effective July 1, 2006. The Academy entered into a contract with Diversified Community Services, which was not approved at a Board meeting. The contract for services that were to be entered into was directly approved by Mr. Borger as Chief Operating Officer of Diversified Services on February 3, 2006 with payment made on February 15, 2006, at which times Mr. Borger was still a member of the Board.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-002
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Executive Session

Ohio Rev. Code 121.22(h) states that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized in division (G) or (J) of this section and conducted at an executive session held in compliance with this section.

The Board of Directors approved an increase in the Director salary while in executive session.

We recommend the Board adopt all resolutions, rules, and formal actions while they are in open meeting of the public body.

Official's Response: The Board has received Board of Directors' training in November, 2006 through May, 2007 that was provided by the sponsor. With this knowledge, members will correctly transition into and out of executive session to ensure compliance with Ohio Revised Code 121.22 (h).

Finding Number	2006-003
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Not-for-Profit Status

Ohio Rev. Code Section 3314.03 (A) (1) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school shall be established as either of the following:

- A nonprofit corporation established under Chapter 1702 of the Revised Code, if established prior to April 8, 2003; or
- A public benefit corporation established under Chapter 1702 of the Revised Code, if established after April 8, 2003.

Pursuant to Ohio Rev. Code Chapter 1702, if the community school established itself as a public benefit corporation, they would be exempt from Ohio income tax. To receive Federal tax exemption, corporations must file for an Internal Revenue Service (IRS) exemption certificate.

The Academy did not file for State or Federal income tax exemption during the audit period and has not filed tax returns or contemplated the potential taxes due. Failure to receive tax exempt status subjects the net income of the Academy to taxation by the State of Ohio and IRS.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-003 (Continued)
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Not-for-Profit Status (Continued)

We recommend the Academy file for State and Federal income tax exemptions.

Official's Response: In July 2007, the ACE treasurer provided the Director with a copy of the application filed with the IRS requesting status as a non-profit organization, exempt from paying federal taxes. Steve Sites, the treasurer, asserted he'd submitted the application to the IRS in 2006 and supplied the auditors with the same application when requested in January, 2007.

The Director will contact the IRS to determine if the application has been filed. If this has not been done, the new treasurer will evaluate the application on hand and decide if it can be submitted and if he needs to modify information before submission.

Tax forms were filed on behalf of the school in 2004 and 2005. The treasurer for Lucas County and ACE submitted the tax documentation.

Finding Number	2006-004
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School Treasurer's Bond

Ohio Admin. Code Section 117-6-07 requires the fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Rev. Code Section 3314.011. The bond amount and surety is to be established by a resolution of the governing authority.

The Academy's Treasurer representative assigned by ACE Charter School Services through their contract which became effective January 1, 2006 is not bonded for the Academy. Failure to bond the Treasurer may result in the Academy being exposed to liabilities of theft or error by the Academy Treasurer in the event of a loss from the occurrence of such.

We recommend the Treasurer execute a bond in an amount approved by the Board of Directors.

Official's Response: The ACE treasurer was able to secure bonding in May, 2007. The Chase Academy Board of Directors will immediately obtain bonding for the new treasurer to become compliance with Ohio Administrative Code Section 117-6-07. The Board will consult with a knowledgeable insurance company representative to determine the bond value for Chase Academy's treasurer to circumvent exposure to possible liability of theft or error.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-005
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Five Year Forecast

Ohio Rev. Code Section 5705.391, through Ohio Admin. Code §3301-92-04, requires that community schools submit a five year forecast by October 31st of each year to the Ohio Department of Education. This section also includes references to annual appropriations and annual revenue estimates.

The Academy did not submit a five year forecast to the Ohio Department of Education until November 2006. The written assumptions used to support the amounts on the forecast did not illustrate how past results and future expectations were reflected in the forecasted amounts. Failure to develop and timely submit a supported five year forecast results in a failure to plan for financial operations and results of the Academy and an inability for monitoring agencies to ensure tracking of the Academy's financial plan and funding status.

We recommend the Academy prepare a five year forecast and submit the document to the Ohio Department of Education by the required date. We also recommend the Academy provide solid assumptions and revise the five year forecast if any new revenue or expenses occur. The Academy should also prepare an annual budget with appropriations and estimated receipts. The Board of Directors should monitor the budget monthly to help ensure the Academy does not overspend and should modify such forecasting tools when events occur that significantly modify the underlying assumptions.

Official's Response: The Chase Academy has always complied with the sponsor's request to submit the 5 year forecast to our sponsor, who then "bundled" the forecasts for their group of supervised schools and submitted them to the Department of Education. It's unfortunate the sponsors haven't forwarded the information by the date requested by ODE. However, the Board and Treasurer will monitor the submission of Chase Academy's 5 year forecast and submit it directly to ODE by October 31st if necessary.

The new treasurer will assist the Chase Board in preparing forecasts, forecast revisions, and budgets that contain reasonable assumptions for calculations presented in the forecast. These documents will be modified as circumstances occur which warrant changes and avoid overspending.

Finding Number	2006-006
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Annual Report Filing

Ohio Rev. Code Section 117.38 states that each public office, other than a state agency, shall file a financial report for each fiscal year. The report should be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public office reporting pursuant to generally accepted accounting principles (GAAP) shall file their reports within one hundred fifty days after the close of the fiscal year.

The Academy did not file their fiscal year 2006 GAAP basis financial report with the Auditor of State.

We recommend the Academy file their annual financial report with the Auditor of State within the one hundred fifty day period following the close of the fiscal year.

Official's Response: The Academy will ensure that the Treasurer files the GAAP basis financial report with the Auditor of State within the 150 day period following the close of the fiscal year.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-007
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Proper Public Purpose – Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose”** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Academy expended public funds in the amount of \$2,773.90 to various vendors that did not have supportive documentation (i.e. invoices or receipts for specific transactions) for the expenditures. As a result, it could not be determined what was purchased from the vendors to identify if the expenditures were for proper public purposes of school use, meeting the goals and mission of the Academy.

Additionally, on March 3, 2006, the Academy expended public funds in the amount of \$51.24 for the purchase of a YMCA membership for three students of the Academy and a teacher. The students are related to the teacher and were under her care both in and after school. The Board did not enact a resolution which demonstrates what public purpose such an expenditure serves, nor did the Board have a policy permitting this type of expenditure.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074: Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Celia Jones, Executive Director, and Ace Charter School Services, Treasurer Services, jointly and severally in the amount of two thousand eight hundred twenty-five dollars and fourteen cents (\$2,825.14), in favor of the Chase Academy General Fund.

We recommend the Academy ensure proper supporting documentation is retained to evidence all expenditures made. Such documentation should be received and approved by those with appropriate authority prior to expenditure and should be maintained along with the expenditures to evidence the details of the goods or services purchased.

We further recommend the Board pass a comprehensive proper public purpose policy that provides guidance and direction to staff and directors as to what expenditures are viewed as a proper public purpose that accomplish the goals and mission of the Academy. Such a policy should entail:

- The permissiveness of various expenditure types or classifications to the Academy as a whole;
- Dollar limitations on the expenditure of funds for certain expenditure types or classifications;
- Restrictions on expenditures for specific types of Academy programs or activities;
- The allowability of certain expenditure types or classifications in regard to federal programs;

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-007 (Continued)
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Proper Public Purpose – Finding for Recovery Repaid Under Audit (Continued)

- Designation regarding the appropriate uses of, allowable types of, dollar limitations to, and types of documentation that must be maintained for student and teacher incentives.

Official's Response: On September 14, 2007, \$2,825.14 was repaid by check via negotiated agreement per named parties above and posted to the Academy's General Fund.

Finding Number	2006-008
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Reimbursements – Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose"** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Academy expended public funds in the amount of \$3,440.85 for reimbursements to employees that did not have supportive documentation (i.e. invoices or receipts for specific transactions) for the reimbursable expenditures. As a result, the expenditures made are unable to be identified to determine if they are for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following employees:

Delores Warfield, Celia Jones, Executive Director, and Ace Charter School Services, Treasurer Services, jointly and severally for \$449.47 in favor of the Chase Academy General Fund.

Arthur Williamson, Celia Jones, Executive Director, and Ace Charter School Services, Treasurer Services, jointly and severally for \$53.80 in favor of the Chase Academy General Fund.

Celia Jones, Executive Director, and Ace Charter School Services, Treasurer Services, jointly and severally for \$2,937.58 in favor of the Chase Academy General Fund.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-008 (Continued)
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Reimbursements – Finding for Recovery Repaid Under Audit (Continued)

We recommend the Academy ensure all reimbursements are supported with adequate documentation and approved by management with appropriate independent authority in accordance with reimbursement guidelines of the Academy.

Officials' Response: On August 3, 2007, \$2,937.58 was repaid by Celia Jones and posted to the Academy's General Fund. On September 14, 2007, \$503.27 was repaid by check via negotiated agreement per named parties above and posted to the Academy's General Fund.

Finding Number	2006-009
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Payroll Expenditures – Finding for Recovery Repaid Under Audit

Seventeen percent of payroll disbursements tested were not paid in accordance with the employee's rate of pay per their employment contract or Board approved retro active pay schedule resolution for the 2005-2006 school year. No compensating time cards for additional work or supplemental contracts could be provided to evidence the additional components of pay.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following:

Delores Warfield, Celia Jones, Executive Director, and Ace Charter School Services, Treasurer Services, jointly and severally for \$3,491 in favor of the Chase Academy General Fund.

Rodney Norwood, Celia Jones, Executive Director, and Ace Charter School Services, Treasurer Services, jointly and severally for \$83.34 in favor of the Chase Academy General Fund.

We recommend the Board approve all employment contracts, salary schedules, and annual raises on an annual basis prior to the beginning of the contract/employment period. All employees should be paid in accordance with their Board approved rates.

Officials' Response: On September 14, 2007, \$3,574.34 was repaid by check via negotiated agreement per named parties above and posted to the Academy's General Fund.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-010
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Service Organization – Material Weakness

The Academy has contracted with ACE Community School Services for Treasurer and EMIS administration services, including processing accounting transactions on their ACE software, which was developed by ACE and provides a significant accounting function. The Academy has not established procedures to determine whether the accounting software package has sufficient controls in place and is operating effectively to reduce the risk that financial transactions have not been authorized or completely and accurately processed in accordance with the contract.

We recommend the Academy assure the completeness and accuracy of their accounting transactions processed by its service organization. Statement of Auditing Standards (SAS) No. 70, as amended prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the Academy with reasonable assurance that transactions are completely and accurately processed.

We recommend the Academy require a Type Two SAS 70 report over the accounting software package developed and utilized by ACE Community School Services. The Academy should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the service organization refuses to furnish the Academy with a Type Two SAS 70 report, we recommend the Academy contract with a service organization that will provide such a report.

Official's Response: ACE's financial services contract was terminated July 30, 2007, in part, due to failure to implement American Institute of Certified Public Accountants' standards. The treasury services provider selected to replace ACE will be required to submit a Type Two SAS 70 report periodically to ensure the firm's compliance with the Institute's acceptable practices.

Finding Number	2006-011
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Capital Assets

The Academy has not developed a capital asset tracking system to maintain capital asset listings and does not tag capital assets. Therefore no system is in place to assist in the recording of asset purchases and disposals throughout the year.

Failure to employ adequate controls over the acquisition, disposal, and recording of capital assets resulted in the loss of a laptop computer, valued at \$799, that could not be located. This could further result in additional loss, misappropriation, theft, or diversion of assets, noncompliance with federal grant requirements, and an inaccurate and improperly valued capital asset listing.

We recommend the Board develop and implement procedures for the recording and updating of the

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-011 (Continued)
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Capital Assets (Continued)

Academy's capital assets. These procedures should include tagging all assets meeting the Academy's capitalization criteria. Further, addition and disposal forms which should include such information as the asset tag number, description, cost, acquisition date, location or individual assigned to, useful life, depreciation, condition and any other supporting documentation should be completed, approved by management, and recorded to the capital asset system when the assets are acquired or disposed. We additionally recommend the Academy revise its capital asset policy on leasehold improvements to designate the useful lives as equivalent to the length of the leases.

Officials' Response: The Chase Academy Board of Directors will create and adopt a capital assets policy that outlines systems for the tagging, disposal and tracking process for all capital assets. It will contain information that details description, acquisition dates and cost of the asset. In addition, the Board will revise the current assets policy on leased improvement so that useful lives of the equipment is equal to the length of the lease.

Finding Number	2006-012
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Personnel Files

Approval of personnel actions such as hiring and setting of compensation or employment contracts should be authorized by the Board. All Board approved employment actions should be maintained in employee personnel files in addition to contracts and withholding and enrollment forms to support employee deductions.

No employment actions or approvals were documented in the minutes of the Board. A retroactive resolution was passed by the Board to authorize employment actions and compensation for employees employed during the 2006 fiscal year. The Academy could not provide accurate and up-to-date personnel files for its staff. The following deficiencies were noted during review of personnel files:

- Thirty- two percent did not have current contracts.
- Eighty-eight percent did not have completed retirement membership forms.
- Four percent did not have completed withholding forms.

Failure to document Board authorized personnel actions and pay rates may result in unapproved and unauthorized compensation of employees. In addition, failure to maintain contracts and withholding forms may result in deductions not being properly withheld from employees' paychecks and improper pay amounts.

We recommend the Academy approve all personnel actions, including authorization of employment contracts and compensation in the minutes of the Board. We further recommend the Academy develop and implement procedures to provide for the maintenance of all completed and current retirement membership forms, withholding forms, and employee contracts.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-012 (Continued)
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Personnel Files (Continued)

Officials' Response: All future employment actions, authorizations and approvals will be conducted prior to employees reporting to work at Chase Academy. This information will be documented in Board minutes.

The Director provided the accurate and up-to-date employment contracts requested by the auditors, but was unaware that ACE failed to furnish the retirement and withholding documents in its possession.

An audit team comprised of two area bankers, two Board members and one community advisor will be created to provide documents requested by auditors, respond to auditors' questions and ensure that all personnel files submitted will contain contracts, compensation authorizations, retirement membership and withholding forms.

Finding Number	2006-013
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Loan Agreements

All debt entered into by the Academy should be authorized by the Board prior to issuance, taking into account the necessity for the debt. The Academy entered into a loan agreement with a private outside party in the amount of \$18,000 during fiscal year 2006. Although the Director signed these agreements, there was no evidence the Board authorized or reviewed these loans at any time, including after the issuance.

The lack of Board authorization could result in the Academy entering into unnecessary or inappropriate debt, in addition to failing to alert the Board to financial conditions requiring the necessity to enter into debt.

We recommend the Board authorize all loans and/or borrowing arrangements made by the Academy prior to issuance.

Officials' Response: Chase Academy Board of Directors will authorize all future loans and/or borrowing agreements prior to issuance.

Finding Number	2006-014
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Board Approval of Expenditures

The Academy should adopt a formal policy over authorization of expenditures. Expenditures should be approved by the Board on a monthly basis.

The Executive Director approved all of the Academy's expenditures during the fiscal year. However, there was no evidence the Board reviewed or approved any individual expenditures or check registers. Lack of a formal policy over expenditure authorization could result in errors or irregularities to occur and go undetected by management.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-014 (Continued)
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Board Approval of Expenditures (Continued)

We recommend the Academy establish a formal policy in regards to the approval of expenditures. The policy should identify those individuals responsible for reviewing and approving all purchases of the Academy. Those individuals should be independent of such purchases. Also, the policy should require that sufficient supporting documentation be provided for all purchases. Expenditures should then be approved by the Board on a monthly basis.

Officials' Response: A formal expenditure policy has been adopted by the Academy that specifies the individuals who'll review and authorize purchases and the support documentation.

Finding Number	2006-015
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Segregation of Duties

Control activities and duties should be segregated to allow for a system of checks and balances within an organization.

The Executive Director was responsible for many significant operational duties for the Academy during the fiscal year. Some of these responsibilities included approving contracts and setting salary schedules; drafting and approving purchase requisitions and reimbursements (including her own); and entering into debt agreements and contracts. The Executive Director further wrote manual checks and made debit card purchases without any independent approval. The results of these duties were rarely presented to the Board and documentation of Board review or approval was not present.

The lack of segregation of duties increases the risk that the Academy's funds could be misappropriated or fraudulent activity could occur and go undetected by management.

We recommend the Board take a more active role in approving employee salary schedules; hiring of personnel; the approval of purchases, debt agreements and contracts. A more active role by the Board allows for segregation of duties which enhance an organization's ability to properly safeguard assets. We further recommend that all expenditures involving the salary of or reimbursement to the Executive Director be authorized by the Board.

Official's Response: The Chase Academy Board of Directors already authorizes the salary of the Executive Director, however, it will assume the responsibility for authorizing the reimbursements for the Executive Director.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-016
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Reimbursement Policy

The Academy should have a formal Board approved reimbursement policy in place which outlines allowable reimbursable expenses, limits on reimbursements, required documentation, and individual(s) authorized to approve reimbursements.

The Academy does not have a formal reimbursement policy. The Executive Director was reimbursed for various items (i.e. gas, classroom supplies, van rentals, etc.) relating to Academy business for an amount of \$18,688 during the fiscal year. The Executive Director also approved her own reimbursement for purchases.

The lack of a formal reimbursement policy and the Director's approval of her own reimbursements could result in unauthorized and inappropriate payments for individual expenses being made.

We recommend the Board establish a formal reimbursement policy. The policy should identify those individuals responsible for reviewing all purchases submitted for reimbursement (who should be independent of such purchases), the types of allowable reimbursements, limits on reimbursements, any pre-approval requirements, and documentation required.

Official's Response: The Chase Academy Board of Directors will develop, adopt and implement a comprehensive reimbursement policy to specify allowable reimbursable expenses, reimbursement limits, and required documentation.

Finding Number	2006-017
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Board Monitoring

Monitoring controls should be comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

The Board of Directors should monitor the financial operations of the Academy regularly so that appropriate actions may be taken in response to financial conditions on a timely basis. Such monitoring should include review of system generated reports such as resources received, expenditures, invoices received that cannot be paid, financial forecasts, etc. Such review and action should take place during meetings of the Board of Directors and should be reflected in the minutes of such meetings.

For the first six months of the fiscal year the financial reports were only made available on-line and for the second six months of the fiscal year the financial reports were not given to the Board for two to three months after month end. There was no evidence presented that the Board performed any type of review and approval of the Academy's financial information. Lack of timely effective monitoring controls could allow for operational failures and errors to occur without timely detection and appropriate management action.

We recommend the Board be provided with system generated financial information after the close of each month, which should be reviewed for unexpected results or exceptions and accepted in the minutes of the Board meetings.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-017 (Continued)
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Board Monitoring (Continued)

Official's Response: The new treasurer representing the Venice Group will attend the Chase Academy Board of Directors meetings on a monthly basis to provide members with the appropriate financial reports, explain the information contained within the reports, and respond to Board member questions about the data. Once that is done, Board members will be better informed to vote on acceptance of the financial reports and to record the results in the minutes.

Finding Number	2006-018
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Creation and Alteration of Invoices/ Material Weakness

Original invoices or other appropriate documentation should be maintained to support expenditures of the Academy. The audit team was originally presented with altered and/or Academy created invoices for \$23,639.95 of Academy expenditures. The invoices that were originally created by the Academy often documented different goods or services purchased than the actual purchases made. Additionally, original invoices were altered by the Academy to show different amounts, which the Academy believed they owed, that were then paid to the vendors in the altered amounts. None of these resulted in a finding for recovery because original support documentation was subsequently provided.

Creating invoices and altering original invoices are fraudulent actions which could lead to inaccurate reports, loss of public trust, increased audit cost, and findings for recovery.

We recommend the Academy maintain original support documentation for all transactions and not misrepresent invoices through modification to original invoices or creation of additional invoices. If revisions to the services or the quantities provided are necessary, we recommend revised invoices be obtained from the vendor. In addition, the Academy should monitor invoices to ensure that original invoices are present before the bill is paid.

Official's Response: During the conversations between the auditors, treasurer and Chase Academy Director, they were personally informed by the ACE treasurer, Steve Sites, that he had created invoices. That was done in spite of the fact that the Director had provided him sufficient receipts and supporting documentation for certain expenditures. The auditors were able to view the original receipts and documents submitted by the Director and realized they'd been provided in the proper manner.

Even though Chase Academy contracted with ACE for treasurer services, it was very obvious the Director and other Chase Academy employees were unaware of Steve Sites' unorthodox accounting procedures, since those 'created invoices' were in the possession of ACE and Chase Academy did not have copies of those papers. The Chase Academy Director had never seen or had knowledge of the papers until presented with them by the auditors.

Incorrect information on vendor invoices had been 'whited out' and the correct fees, quantities or amounts were noted. This was done when a supplier had submitted inaccurate invoices to the Academy for payment.

In the future, Chase Academy will maintain a file containing the original receipts and documents for expenditures and will furnish the treasurer with duplicate forms of that data. No modified vendor invoices will be submitted.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-019
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Executive Director Bonding

Public officials in a fiscal capacity should ensure that they are adequately bonded respective to their financial duties for an amount specified by the Board.

The Executive Director was responsible for handling all financial aspects of the Academy, including approving employment contracts, authorizing purchases, issuing checks, and utilizing the Academy's debit card. The significant fiscal nature of these duties involved directly authorizing or issuing the disbursement for all of the Academy's expenditures, however the Director was not bonded.

Failure to secure an appropriate bond could result in an inability of the Academy to recover funds from any error or wrongdoing.

To safeguard the Academy from possible financial loss, we recommend the Board of Directors bond its Executive Director in an amount commensurate with her job duties.

Official's Response: The Chase Academy Executive Director will obtain a bond in an amount commensurate with her job duties to safeguard the Academy from possible financial loss.

Finding Number	2006-020
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Debit Card Policy

The Academy has established the use of a debit card to make purchases on a day-to-day basis to operate the Academy. The Academy does not have a Board approved policy in place to regulate the use of debit cards.

Failure to establish authorized individuals may result in expenditures outside of management's intent or for improper public purposes. Expenditures over Board set limitations may additionally result in cash flow problems for the Academy.

We recommend the Board establish a debit card policy to define authorized parties, maximum usage, the types of expenditures that may be made with the debit card, and how management intends to monitor policy compliance. Furthermore, we recommend that each user receive and sign a copy of the Academy's policy prior to issuance of a debit card.

Official's Response: During the school year 2005-2006 the Academy did not have a debt card policy in place. However, the Board did adopt a policy in 2007. A copy of this policy was provided the auditors in March, 2007.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006
(Continued)

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

Finding Number	2006-021
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Student Uniform/Clothing Policy

The Academy should have a formal policy over authorization of expenditures for the Academy to pay for student uniforms/clothing.

Various expenditures were made by the Executive Director to purchase uniforms/clothing for the students of the Academy throughout the year. However, there was no evidence of Board approval of the expenditures or a Board approved policy regarding the Academy's intent to purchase uniforms/clothing for its students, including the criteria for qualification of the students to receive such benefits. Lack of a formal policy could result in unauthorized and inappropriate payments for these expenses.

We recommend the Board establish a formal student uniform/clothing policy. This policy should identify the criteria that would determine which students would receive the benefit, any limitations on the cost/quantity of the uniforms/clothing, which (if any) of the Academy's uniforms will be supplied to all students, and the required documentation for the expenditure and distribution of the uniforms/clothing.

Official's Response: The Chase Academy Board does not need to create a policy for authorization of funds to purchase student uniform clothing as the Academy will no longer provide this service to indigent families. Parents requesting such support will be referred to Charity Newsies or other charitable organizations offering that type of assistance.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Board Minutes, ORC 3314.03(A)(11)(d) no evidence that meetings occurred with no Board minutes available for public review	Yes	
2005-002	Not-for-Profit Status, ORC 3314.03 Academy did not file for Federal income tax exemption	No	Not Corrected – Reissued as 2006-003.
2005-003	The Academy did not complete the required Annual Report of Activities to the sponsor, the parents of all students enrolled and the Legislative Office of Education Oversight	Yes	
2005-004	Five Year Forecast was not submitted to the Ohio Department of Education	No	Partially Corrected – Reissued as 2006-005.
2005-005	Personnel Files were not accurate and up-to-date for the Academy's staff	No	Not Corrected – Reissued as 2006-012
2005-006	Board did not authorize debt	No	Not Corrected – Reissued as 2006-013
2005-007	Executive Director approved all of the Academy's expenditures, Board did not approve expenditures	No	Not Corrected – Reissued as 2006-014
2005-08	Lack of segregation of duties between the Executive director and the Board	No	Not Corrected – Reissued as 2006-015
2005-09	Lack of supporting documentation over expense transactions	No	Not Corrected – Reissued as 2006-007 and 2006-008
2005-010	No capital asset tracking system or tagging	No	Not Corrected – Reissued as 2006-011
2005-011	Lack of reimbursement policy	No	Not Corrected – Reissued as 2006-016
2005-012	Lack of Board Monitoring	No	Not Corrected – Reissued as 2006-017



Mary Taylor, CPA
Auditor of State

CHASE ACADEMY FOR COMMUNICATION ARTS

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
OCTOBER 4, 2007**