PHOENIX VILLAGE ACADEMY P2
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

PHOENIX VILLAGE ACADEMY PRIMARY 2
CUYAHOGA COUNTY
TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Village Academy P2
Cuyahoga County
1881 East 71st Street
Cleveland, Ohio 44103

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Phoenix Academy P2, Cuyahoga 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 that our audit provides a reasonable basis for our opinion.

The Academy did not provide payroll ledgers for the audit period. Furthermore, the Academy only provided payroll cancelled checks for two months during the fiscal year.

The Academy did not provide Board Minutes for all meetings. The Board Minutes for March, April, May and June of the fiscal year were missing.

The Academy did not provide all applicable note disclosures.

The Academy failed to record depreciation expense. Consequently, capital assets were overstated by $12,737.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

In our opinion, except for any possible effects of adjustments we may have required related to payroll expenses or as we might have determined to be necessary if evidence from the Board minutes was available, as noted in the paragraphs three and four above, except for the omission of certain disclosures described in paragraph five, and except for the overstatement of capital assets described in paragraph six, as noted in the presiding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Phoenix Village Academy P2, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2009, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 11, 2009

Phoenix Village Academy P-2
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of the Phoenix Village Academy's (the Academy's) financial performance provides an overall review 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

The School received permission to open the school in early 2005, but the school did not open until November of 2005. The school only received startup funding in April of 2005 and this was the only funding Phoenix Village Academy P-2 received in fiscal year 2005.

Financial Highlights

- In total, net assets were $48,770 as of June 30, 2006.

- Total Assets were $53,770 as if June 30, 2006.

Using this Financial Report

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

Statement of Net Assets

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

This statement reports the Academy's net assets and changes in them. The change in net assets provides the reader a tool in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

Table 1 provides a summary of the Academy's net assets for fiscal year 2006.

Table 1
Net Assets

	2006
Current Assets	$ 5,339
Capital Assets, Net	48,431
Total Assets	53,770
Current Liabilities	5,000
Total Liabilities	5,000
Net Assets:	
Unrestricted	8,242
Increase In Net Assets	40,528
Total Net Assets	48,770

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2006.

Table 2
Changes in Net Assets

	2006
Operating Revenues:	
Startup Grant / Federal Grant	$ 150,000
State Funding	184,521
Total Revenues	334,521
Operating Expenses:	
Bank Service Charges	118
Purchased Services	167,763
Salaries & Wages	95,524
Payroll Expenses	718
Materials & Supplies	8,753
Fringe Benefits	18,916
Fire Inspection	402
Other Miscellaneous	1,800
Total Expenses	293,994
Change in Net Assets	40,527

Capital Assets

The Academy maintains a capitalization threshold of $1,000.

Restrictions and Other Limitations

The future financial stability of the Academy is not without challenges.

The first challenge is the state economy. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Phoenix Village Academy P-2 and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Phoenix Village Academy P-2, Attn: Treasurer, 3122 Euclid Ave. Cleveland, Ohio 44115.

Phoenix Villiage Academy P2
Statement of Net Assets
As of June 30, 2006

	Jun 30, 06
ASSETS	
Current Assets	
Checking/Savings	
Cash	
Federal Account	-425.95
General Fund (464073538)	5,364.79
Total Cash	4,938.84
Total Checking/Savings	4,938.84
Other Current Assets	
Short-Term Loan to S2	400.00
Total Other Current Assets	400.00
Total Current Assets	5,338.84
Fixed Assets	
Equipment	
Instructional Equipment	38,152.00
Office Equipment	6,000.00
Equipment - Other	4,279.00
Total Equipment	48,431.00
Total Fixed Assets	48,431.00
TOTAL ASSETS	53,769.84
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
A/P-Ashe	5,000.00
Total Other Current Liabilities	5,000.00
Total Current Liabilities	5,000.00
Total Liabilities	5,000.00
Equity	
Retained Earnings	8,242.59
Net Income	40,527.25
Total Equity	48,769.84

	Jun 30, 06
TOTAL LIABILITIES & EQUITY	53,769.84

Phoenix Villiage Academy P2
Statement of Activity
July 2005 through June 2006

	Jul '05 - Jun 06
Ordinary Income/Expense	
Income	
Federal Sources	150,000.00
Local Sources	298.00
State Funding	184,223.20
Total Income	334,521.20
Gross Profit	334,521.20
Expense	
Bank services fees	117.96
Fire Inspection	401.47
Fringe Benefits	18,915.98
Materials & supplies	8,753.25
Other miscellaneous	1,800.00
Payroll Expenses	718.17
Purchased Services	167,762.85
Salaries & Wages	95,524.27
Total Expense	293,993.95
Net Ordinary Income	40,527.25
Net Income	40,527.25

Phoenix Villiage Academy P2
Statement of Cash Flows
July 2005 through June 2006

	Jul '05 - Jun 06
OPERATING ACTIVITIES	
Net Income	40,527.25
Adjustments to reconcile Net Income to net cash provided by operations:	
Short-Term Loan to S2	-400.00
A/P-Ashe	5,000.00
Net cash provided by Operating Activities	45,127.25
INVESTING ACTIVITIES	
Equipment	-4,279.00
Equipment:Instructional Equipment	-38,152.00
Equipment:Office Equipment	-6,000.00
Net cash provided by Investing Activities	-48,431.00
Net cash increase for period	-3,303.75
Cash at beginning of period	8,242.59
Cash at end of period	4,938.84

1. DESCRIPTION OF THE SCHOOL

Phoenix Village Academy P2 (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through the sixth grade. The School qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. The Sponsor is responsible for evaluation the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Governance. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial Statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

Accrual Basis Accounting is used to account for operations. A statement of activity and a statement of cash flow are included.

B. Measurement Focus and basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School and its Sponsor requires monthly spending plans for subsequent fiscal years to be prepared and submitted annually. In addition, the contract between the School and its Sponsor requires a budget to be adopted annually, and be reviewed on a monthly basis.

The School did not follow budgetary procedures outlined in the contract between Phoenix Village Academy P1 and the Ohio Department of education (ODE).

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School desegregates its cash.

E. 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 theses estimates.

F. Fixed Assets

Fixed assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. During 2006 the school purchased $ 48,431 in fixed assets including computers.

Deprecation of fixed assets is provided utilizing the straight-line method over the estimated useful lives of the assets are follows:

Equipment and furniture 7 years

It is the School's policy to expense items which cost less than $1,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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

The School also participates in various federal and state programs through the Ohio Department of Education.

H. Compensated Absences

The School does not record a liability for compensated absences because its policy is not to payout accumulated leave balances upon termination of employment.

I. Accrued Liabilities

As of June 30, 2006, the only Accounts Payable was to ASHE Culture Center, the Academy's sponsor.

J. Exchange and Non Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is 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 School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

K. Property & Liability

The School 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 2007, the School contracted with Pinkney Perry Insurance Company for property and general liability insurance. The school also had a treasurer bond from Hanover Insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

3. DEFINED BENEFIT PENSIONS PLANS

State Teachers Retirement System of Ohio (STRS Ohio)

The School participates in the School Teachers Retirement System (STRS), a cost-sharing multiple-employer retirement system. STRS Ohio provides retirement and disability benefits to members and death survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may obtain a copy by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows member to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from 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, 2007, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board; upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

School Employees Retirement System (SERS)

3. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

The School 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-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.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute an actuarially determined rate. The rate for the fiscal year 2007 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The obligations requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

4. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the State Retirement Board (the Board) has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 3, 2007, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System.

5. RETAINED EARNINGS

At the fiscal year end June 30, 2006 the Academy had retained earnings in the total amount of $8,242. These retained earnings were comprised of the following:

Federal Grant Funds	$24,833
Less total start up expenses incurred for the period ending June 30, 2006	(16,591)
Retained Earnings June 30, 2006	$ 8,242

This page intentionally left blank.

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

Phoenix Village Academy P2
Cuyahoga County
1881 East 71st Street
Cleveland, Ohio 44103

We have audited the basic financial statements of the Phoenix Village Academy P2, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2006 and have issued our report thereon dated May 11, 2009, wherein we noted the Academy did not provide documentation for payroll transactions, all of the Board Minutes were not provided, the notes to the financial statements were incomplete and depreciation was understated. 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 in order 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 item 2006-007.

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 which, we were engaged to audit, 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 the reportable condition 2006-007 listed above to be a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated May 11, 2009.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-006.

We intend this report solely for the information and use of the management and the Board of Trustees, and the Community School's Sponsor. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 11, 2009

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

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

FINDING NUMBER	**2006-001**

Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management's Discussion and Analysis;
- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and
- Notes to the financial statements as prescribed by GAAP.

The Academy did not file its financial statements for the year ended June 30, 2006.

We recommend the Academy organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Academy may be assessed a late filing penalty

FINDING NUMBER	**2006-002**

Five Year Forecast

Ohio Revised Code Section 3314.03(A)(15) requires the Academy prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Revised Code.

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

FINDING NUMBER	**2006-002**

Five Year Forecast (Continued)

Ohio Admin Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October thirty-first of each fiscal year, a board of education shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. Subsection (F) states that a board of education shall update its five-year projection between April first and May thirty-first of each fiscal year and submit it to the department of education.

Although we had evidence of the development of the five year forecast, the projected per pupil expenditure amount and the yearly base formula amount used for funding calculations were missing. Additionally, the original five year forecast was not submitted with the Ohio Department of Education prior to the deadline date of October 31, 2005, nor was there evidence that an updated five year forecast was submitted, nor was there evidence that an updated five year forecast was submitted with the Ohio Department of Education before the May 31, 2006 deadline.

Without evidence of the updating of the forecast, the Board does not have the necessary information to develop a financial plan for the school year. It is also possible the Academy will authorize the expenditure of funds in excess of the estimated amount available.

We recommend the Academy review the requirements of Ohio Revised Code Section 3314.03 and Ohio Admin. Code Section 3301-92-04 and take the necessary steps to meet these requirements, including obtaining the approval of the governing board and reviewing the appropriateness of the amounts included in the estimated budget.

FINDING NUMBER	**2006-003**

Record of Minutes

Ohio Rev. Code Section 121.22 (C) states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

It is the Board of Trustee's responsibility to oversee the Academy's operation and make decisions to ensure the entity's goals and objectives are complete. The Board minutes represent the official record of the Academy's events and resolutions passed by the Board.

The Board should stay apprised of financial matters throughout the fiscal year. During the audit, we noted the following items:

- The Board minutes were not signed. Consequently, there was no written certification as to the authenticity and completeness of the Board minutes;
- Per review of the Board calendar, all of the Board minutes were not provided. There was no documentation provided for the Board minutes in March, April, May and June of the fiscal year; and

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

FINDING NUMBER	**2006-003**

Record of Minutes (Continued)

- Employee salaries and approval to hire employees were not noted in the Board minutes. Therefore, there was no evidence that these salaries were being approved by the Board of Trustees.

Failure to oversee the Academy's operations and stay apprised of financial matters increases the chance of theft and other fraudulent activities.

We recommend the Board implement the following procedures to help ensure that the directives of the Board are followed:

- The Board minutes should be authenticated by the signatures of the presiding officer and the secretary. These signatures attest to the accuracy and completeness of the Board minute records;
- Board members should review the financial statements and acknowledge this review in the minute record. This will assist in developing operational and financial decisions based on timely and accurate financial information; and
- All salaries and hiring of employees should be passed by the Board of Trustees and shown on the Board minutes.

.

FINDING NUMBER	**2006-004**

Salary Approval

The contract between the Academy and the Sponsor provides employment of the teachers and non-teaching personnel, by the Academy, shall be as provided in Ohio Rev. Code Section 3314.10. Ohio Rev. Code Section 3314.10 (A)(1) states that the governing authority of any community school established under this chapter may employ teachers and non-teaching employees necessary to carry out its mission and fulfill its contract. Per Exhibit 3 of the contract between the Academy and the sponsor, by a majority of votes, the Board shall approve employment and the initial salary of all employees.

There was no supporting documentation that the Academy approved employees' salaries for the fiscal year.

Without appropriate documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose, or were for the rate or amount the Board intended. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances.

We recommend the Board approve all employee contracts in accordance with the contract between the Academy and the Sponsor.

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

FINDING NUMBER	**2006-005**

Lack of Records

Ohio Admin. Code Section 117-2-01 (A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

Ohio Admin. Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

During the audit period, we were not provided with records or documentation requested. Among these items are the following:

- Employee master files;
- Only two months of payroll cancelled checks;
- Teaching certificates or license; and
- Transmittal forms (941).

Failure to maintain the above documentation increases the chance of misstatement, non-compliance with tax requirements, or fraudulent activity at the Academy.

We recommend the Academy provide all items which are needed and requested by the Auditor of State in order to perform an audit.

FINDING NUMBER	**2006-006**

Capital Assets

Ohio Admin. Code Section 117-2-02 (D)(4)(c) states that all local public offices should maintain or provide capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

The Academy is responsible to submit financial statements that accurately depict the Academy's current financial condition.

During the audit, we noted the Academy did not record depreciation expense of $12,737 on the financial statements. We proposed an audit adjustment that would record the depreciation expense and decrease the capital assets by this amount.

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

FINDING NUMBER	**2006-006**

Capital Assets (Continued)

In doing this, the Academy is not presenting financial statements that accurately depict the Academy's financial position as of fiscal year end.

We recommend the Academy record all proposed audit adjustments, thereby, accurately depicting the financial position of the Academy

FINDING NUMBER	**2006-007**

Note Disclosures Required by Generally Accepted Accounting Principles

Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements. The more significant notes are identified as follows:

- Summary of significant accounting policies;
- Budgeting;
- Receivables;
- Payables;
- Capital Assets;
- Definition of cash and cash equivalents used in the statement of cash flows;
- Policy regarding the use of FASB pronouncements;
- Cash deposits with financial institutions;
- Investment (if applicable);
- Purchased Services;
- Capital Leases;
- Non-Capital (Operating) Leases;
- Risk Management;
- Debt service requirements to maturity;
- Significant contingent liabilities;
- Significant effects of events subsequent to the balance sheet date; and
- Annual pension costs and obligations; and commitments under leases.

The above notes to the financial statements are not all inclusive and additional disclosures should be made if necessary. The School did not present a complete set of notes to the financial statements.

We did not receive a response from Officials to the findings reported above.

Mary Taylor, CPA
Auditor of State

PHOENIX VILLAGE ACADEMY PRIMARY 2

CUYAHOGA 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 8, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us