



Dave Yost • Auditor of State

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2011	7
Statement of Revenues, Expenses and Changes in Net Assets For the Initial Period of May 1, 2010 through June 30, 2011	8
Statement of Cash Flows – For the Initial Period of May 1, 2010 through June 30, 2011	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	17

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Falcon Academy of Creative Arts
Portage County
1473 Saxe Road
Mogadore, Ohio 44260

To the Board of Directors:

We have audited the accompanying financial statements of Falcon Academy of Creative Arts, Portage County, Ohio (the "Academy"), as of June 30, 2011 and for the period May 1, 2010 through June 30, 2011, the initial audit of the school, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Falcon Academy of Creative Arts, Portage County, Ohio, as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the period 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 April 30, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

April 30, 2012

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011
(Unaudited)**

This discussion and analysis of the Falcon Academy of Creative Arts (the "Academy") financial performance provides an overall review of the Academy's financial activities for the period ended June 30, 2011. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

Key financial highlights for the period ended 2011 are as follows:

- This is the initial financial statement of the Academy.
- In 2010, the Academy began operations with the assistance of a federal start-up grant.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy as a financial whole, an entire operating entity.

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Net Assets represents the basic statement of position for the Academy.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Academy, presenting an aggregate view of the Academy's finances. In case of the Academy, there is only one fund presented.

The Statement of Cash Flows reflects how the Academy finances and meets its cash flow needs. Finally the notes to the basic financial statements are presented.

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis. The following tables represent the Academy's condensed financial information derived from the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011
(Unaudited)**

Table 1 provides a summary of the Academy's net assets as of June 30, 2011:

<i>Table 1</i>	
<i>Net Assets</i>	
<i>Net Assets</i>	
<u>2011</u>	
Assets:	
<i>Current and other assets</i>	\$ 171,847
<i>Capital assets, net of depreciation</i>	<u>21,335</u>
<i>Total assets</i>	<u>193,182</u>
Liabilities:	
<i>Current and other liabilities</i>	<u>118,116</u>
Net Assets:	
<i>Invested in capital assets</i>	21,335
<i>Restricted</i>	7,870
<i>Unrestricted</i>	<u>45,861</u>
<i>Total net assets</i>	<u>\$ 75,066</u>

Total assets were \$193,182 of which \$164,280 is cash. Since this is the initial year of operations, financial information for June 30, 2010 is not presented for comparison.

Invested in capital assets represents a portion of the Academy's net assets for the period ended June 30, 2011. Capital assets include furniture, fixtures, and equipment and are used to provide services to students and are not available for future spending. See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011
(Unaudited)**

Table 2 shows the changes in net assets for the period ended June 30, 2011, as well as a listing of revenues and expenses. Since this is the initial year of operations, financial information for June 30, 2010 is not presented for comparison.

*Table 2
Changes in Net Assets*

	<u>2011</u>
Operating revenues:	
Sales	\$ 4,420
State foundation	812,084
Other operating revenues	<u>16,395</u>
Total operating revenues	<u>832,899</u>
 Non-operating revenues::	
State and federal grants	<u>348,602</u>
Total revenues	<u>1,181,501</u>
 Operating expenses:	
Purchased services	975,050
Materials and supplies	83,942
Depreciation	1,204
Other	<u>46,239</u>
Total operating expenses	<u>1,106,435</u>
Change in net assets	75,066
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u>\$ 75,066</u>

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding. The dependence upon state foundation revenues for operating activities is apparent. All monies were used for start up and instructional activities. State and Federal sources will be by far the primary support for the Academy.

Budgeting

The Academy is not required to follow the budgetary provision set forth in Ohio Revised Code Chapter 5705 but is required to submit a five year budget forecast as required by Ohio Revised Code Section 5705.391.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011
(Unaudited)**

Capital Assets

The Academy had \$21,335 invested in capital assets (net of accumulated depreciation) for the period ended June 30, 2011. The following table shows 2011 balances:

*Capital Assets, at Year End
(Net of Depreciation)*

	<u>2011</u>
<i>Capital assets</i>	\$ 22,539
<i>Accumulated depreciation</i>	<u>(1,204)</u>
<i>Net capital assets</i>	<u>\$ 21,335</u>

See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Debt

The Academy did not incur any debt during the period ended June 30, 2011.

Current Financial Issues

The Academy is likely to experience some depletion in available cash during the next fiscal year as the State of Ohio was not able to renew its application for the Public Charter School Grant on behalf of local schools. As a result, the Academy will not receive \$225,000 that was previously anticipated.

Contacting the Academy's Financial Management:

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact Todd Puster, Treasurer, at Falcon Academy of Creative Arts, State Route 43 Mogadore, Ohio 44260.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

ASSETS

Current assets:

Cash	\$ 164,280
Receivables:	
State and federal grants	<u>7,567</u>
Total current assets	<u>171,847</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>21,335</u>
Total assets	<u>193,182</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	26,648
Intergovernmental payable	<u>91,468</u>
Total current liabilities	<u>118,116</u>

Net assets:

Invested in capital assets	21,335
Restricted	7,870
Unrestricted	<u>45,861</u>
Total net assets	<u>\$ 75,066</u>

See accompanying notes to the basic financial statements.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011**

<u>Operating revenues:</u>	
Sales	\$ 4,420
State foundation	812,084
Other operating revenues	16,395
Total operating revenues	<u>832,899</u>
<u>Operating expenses:</u>	
Purchased services	975,050
Materials and supplies	83,942
Depreciation	1,204
Other	46,239
Total operating expenses	<u>1,106,435</u>
Operating loss	<u>(273,536)</u>
<u>Non-operating revenues:</u>	
State and federal grants	<u>348,602</u>
Total non-operating revenues	<u>348,602</u>
Change in net assets	75,066
Net assets at beginning of year	<u>-</u>
Net assets at end of year	<u>\$ 75,066</u>

See accompanying notes to the basic financial statements.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011**

Cash flows from operating activities:	
Cash from the State of Ohio	\$ 804,517
Cash received from sales and fees	20,815
Cash payments to suppliers for goods and services	(839,989)
Cash payment for other operating expenses	(147,126)
Net cash used for operating activities	<u>(161,783)</u>
Cash flows from noncapital financing activities:	
State and Federal grants	<u>348,602</u>
Net cash provided by noncapital financing activities	<u>348,602</u>
Cash flows from capital and related financing activities:	
Cash payments from capital acquisitions	<u>(22,539)</u>
Net cash used for capital and related financing activities	<u>(22,539)</u>
Net increase in cash	164,280
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>\$ 164,280</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (273,536)</u>
<u>Adjustments to reconcile operating loss to net cash used for operating activities:</u>	
Depreciation	1,204
Change in assets and liabilities:	
Increase in assets:	
Intergovernmental receivable	(7,567)
Increase in liability:	
Accounts payable	26,648
Intergovernmental payable	91,468
Total adjustments	<u>111,753</u>
Net cash used for operating activities	<u>\$ (161,783)</u>

See accompanying notes to the basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK.

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Falcon Academy of Creative Arts (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 to educate students in kindergarten through twelfth grade. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy is currently operating under a successor sponsor contract with the Board of Education of the Field Local School District (the "Sponsor"). The contract was entered into on May 1, 2010 and it runs through June 30, 2012. The Academy operates under a five-member Board of Directors (the "Board"). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011**

C. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 Section 5705, unless specifically provided in the Academy's contract with the Sponsor. The contract between the Academy and the Sponsor, the Board of Education of the Field Local School District, does not prescribe a budgetary process for the Academy. However, the Academy is required to submit a five year budget forecast as required by Ohio Revised Code Section 5705.391.

E. Tax Exemption Status

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy's status as an integral part of its sponsoring political subdivision, the Field Local School District.

F. Cash

Cash received by the Academy is maintained in a demand deposit account.

G. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Academy capitalized individual assets that cost at least five thousand dollars. The Academy does not possess any infrastructure and does not capitalize interest costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of furniture, fixtures, and equipment is computed using the straight-line method over estimated useful lives of five to twenty years.

Depreciation expense for 2011 was \$1,204.

H. Net Asset

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

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011**

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the State Special Education Program and other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, 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. The Academy received \$275,000 in revenue under this program for the period ended June 30, 2011.

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 these estimates.

NOTE 3 - DEPOSITS AND INVESTMENT

At June 30, 2011, the carrying amount of the Academy's deposits totaled \$164,280, all of which was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy has no policy regarding custodial credit risk.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2011, follows:

	<i>Balance 5/1/2010</i>		<i>Additions</i>		<i>Deletions</i>		<i>Balance 6/30/2011</i>
<i>Furniture, fixtures and equipment</i>	\$ -		\$ 22,539		\$ -		\$ 22,539
<i>Less: Accumulated depreciation</i>	-		(1,204)		-		(1,204)
<i>Net capital assets</i>	<u>\$ -</u>		<u>\$ 21,335</u>		<u>\$ -</u>		<u>\$ 21,335</u>

**FALCON ACADEMY OF CREATIVE ARTS
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE INITIAL PERIOD OF MAY 1, 2010 THROUGH JUNE 30, 2011**

NOTE 5 - PURCHASED SERVICES

For the period May 1, 2010 through June 30, 2011, purchased service expenses were payments for services rendered by various vendors as follows:

	<u>2011</u>
<i>Services purchased from sponsor</i>	\$ 741,112
<i>Other purchased services</i>	<u>233,938</u>
<i>Total</i>	<u>\$ 975,050</u>

NOTE 6 - CONTRACT WITH FIELD LOCAL SCHOOL DISTRICT

The Community School Sponsorship Contract between Falcon Academy of Creative Arts and Field Local School District (LSD) provides for payments that the Academy had to make to the Field LSD during fiscal year 2011. These payments totaled \$767,230, including intergovernmental payables, since inception of the Academy and were for supplies, facility use, and reimbursement of personnel costs for the services of Field LSD employees who work directly with Falcon Academy of Creative Arts.

NOTE 7 - RISK MANAGEMENT

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a \$2,500 deductible and a \$1 million limit per occurrence and a general aggregate limit of \$2 million. There has been no significant reduction in insurance coverage and no claims resulting from these risks have been made in this initial fiscal year.

NOTE 8 - CONTINGENCIES

A. Grants

The Academy received financial assistance from 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. Ohio Department of Education Enrollment Review

Following the close of the fiscal year, the Ohio Department of Education (ODE) completed a payment reconciliation by comparing what the Academy was paid during the fiscal year to what the Academy should have been paid. The reconciliation for fiscal year 2011 resulted in a calculation of an underpayment to the Academy in the amount of \$7,567. This amount has been reflected as a receivable and as revenue.



Dave Yost • Auditor of State

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

Falcon Academy of Creative Arts
Portage County
1473 Saxe Road
Mogadore, Ohio 44260

To the Board of Directors:

We have audited the financial statements of Falcon Academy of Creative Arts, Portage County, (the "Academy") as of June 30, 2011 and for the period May 1, 2010 through June 30, 2011 and have issued our report thereon dated April 30, 2012. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 30, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of Directors, the Community School's sponsor and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 30, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Falcon Academy of Creative Arts
Portage County
1473 Saxe Road
Mogadore, Ohio 44260

To the Board of Directors:

Ohio Revised Code Section 117.53 states "the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Falcon Academy of Creative Arts (the "Academy") has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy on August 25, 2010. However, this policy did not include the following requirements listed in Ohio Revised Code Section 3313.666:
 - (1) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (2) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - (5) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

- (6) A statement including violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

April 30, 2012



Dave Yost • Auditor of State

FALCON ACADEMY OF CREATIVE ARTS

PORTAGE 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
MAY 24, 2012