

**George A. Phillips Academy  
Lucas County**

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**Financial Report  
June 30, 2006**

plante  
  
moran





Mary Taylor, CPA  
Auditor of State

Board of Directors  
George A. Phillips Academy  
4660 S. Hagadorn Rd.  
Suite 500  
East Lansing, MI 48823

We have reviewed the *Independent Auditor's Report* of the George A. Phillips Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The George A. Phillips Academy is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 5, 2007

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# **George A. Phillips Academy Lucas County**

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## **Contents**

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-6
<b>Basic Financial Statements</b>	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9-10
Notes to Financial Statements	11-26
<b>Federal Awards Supplemental Information</b>	Issued under separate cover

## Independent Auditor's Report

To the Board of Directors  
George A. Phillips Academy

We have audited the accompanying basic financial statements of George A. Phillips Academy as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2006 and the changes in financial position and 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 under separate cover dated September 15, 2006 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors  
George A. Phillips Academy

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

*Plante & Moran, PLLC*

September 15, 2006

# **George A. Phillips Academy Lucas County**

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## **Management's Discussion and Analysis**

The management's discussion and analysis of George A. Phillips 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 new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Financial Highlights**

- In total, net assets increased \$65,320, which represents a 53 percent increase from 2005. This increase was due to an increase in state foundation monies.
- Total assets increased \$139,708, which represents a 40 percent increase from 2005. This was primarily due to an increase in investment in capital assets and an increase in intergovernmental receivables.
- Liabilities increased \$74,388 which represents a 32 percent increase from 2005. This increase was due to the increase in accounts payable due at the end of the fiscal year.

### **Using this Financial Report**

This report consists of three parts, the 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 a 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 takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.



**George A. Phillips Academy  
Lucas County**

**Management's Discussion and Analysis (Continued)**

Table I provides a summary of the Academy's net assets for fiscal years 2006 and 2005:

TABLE I	Governmental Activities	
	June 30	
	2006	2005
<b>Assets</b>		
Current assets	\$ 336,789	\$ 258,617
Capital assets - Net	155,617	94,081
Total assets	492,406	352,698
<b>Liabilities - Current</b>	303,963	229,575
<b>Net Assets</b>		
Invested in capital assets	155,617	94,081
Unrestricted	32,826	29,042
Total net assets	<u>\$ 188,443</u>	<u>\$ 123,123</u>

Total assets increased \$139,708. This was primarily due to an increase in investment in capital assets and an increase in intergovernmental receivables. Cash increased by \$32,513 from 2005. Intergovernmental receivables increased by \$30,659. This increase was due to the timing of the receipt of some grants. Capital assets, net of depreciation, increased by \$61,536 primarily due to additions of leasehold improvements, furniture, fixtures, and equipment.

# George A. Phillips Academy Lucas County

## Management's Discussion and Analysis (Continued)

Table 2 shows the changes in net assets for fiscal years 2006 and 2005, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities	
	June 30	
	2006	2005
<b>Operating Revenues</b>		
Foundation payments	\$ 1,514,360	\$ 1,298,169
Disadvantaged Pupil Impact Aid	224,133	206,629
Other	7,930	16,626
<b>Nonoperating Revenues</b>		
Federal grants	522,678	574,316
State grants	9,010	15,801
Total revenues	2,278,111	2,111,541
<b>Operating Expenses</b>		
Salaries	767,699	681,435
Fringe benefits	254,074	281,292
Purchased services	940,970	821,257
Materials and supplies	133,733	182,879
Depreciation (unallocated)	44,798	30,191
Other expenses	4,692	15,119
<b>Nonoperating Expenses - Taxes</b>	66,825	32,040
Total expenses	2,212,791	2,044,213
<b>Increase in Net Assets</b>	<b>\$ 65,320</b>	<b>\$ 67,328</b>

Net assets increased by \$65,320. This was primarily due to the increase in foundation revenue. There was an increase in revenues of \$166,570 and an increase in expenses of \$168,578 from 2005. Of the increase in revenues, the foundation payments increased by \$216,191 and the Disadvantaged Pupil Impact Aid increased by \$17,504. Community schools receive no support from tax revenues.

# George A. Phillips Academy Lucas County

## Management's Discussion and Analysis (Continued)

The expense for salaries increased by \$86,264 and the expense for fringe benefits decreased by \$27,218 from 2005; this was primarily due to an increase in staff during fiscal year 2006 and a change in benefit policies. Material and supplies expense decreased by \$49,146 from 2005, due to the decrease in federal subsidies from the Charter School Grant. Depreciation expense increased by \$14,607.

### Capital Assets

At the end of fiscal year 2006, the Academy had \$155,617 invested in leasehold improvements and furniture, fixtures, and equipment, which represented an increase of \$61,536 from 2005. Table 3 shows the capital assets (net of depreciation) for fiscal years 2006 and 2005:

	2006	2005
Leasehold improvements	\$ 40,528	\$ -
Furniture, fixtures, and equipment	115,089	94,081
Total capital assets	<u>\$ 155,617</u>	<u>\$ 94,081</u>

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

### Current Financial Issues

George A. Phillips Academy was formed in 2003 under a contract with the Ohio Council of Community Schools. During the 2005-2006 school year, there were 253 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including Disadvantaged Pupil Impact Aid) for fiscal year 2006 amounted to \$1,738,493.

### Contacting the School'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 funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of George A. Phillips Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at [don.ash@leonagroup.com](mailto:don.ash@leonagroup.com).

# George A. Phillips Academy Lucas County

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## Statement of Net Assets June 30, 2006

### Assets

#### Current assets:

Cash (Note 3)	\$ 233,801
Intergovernmental receivable (Note 4)	72,297
Prepaid expenses	<u>30,691</u>

Total current assets 336,789

Noncurrent assets - Depreciable capital assets - Net (Note 5) 155,617

Total assets 492,406

### Liabilities - Current

Accounts payable	107,253
Contracts payable (Note 13)	<u>196,710</u>

Total liabilities 303,963

### Net Assets

Invested in capital assets - Net of related debt	155,617
Unrestricted	<u>32,826</u>

Total net assets \$ 188,443

# George A. Phillips Academy Lucas County

## Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2006

<b>Operating Revenues</b>	
Foundation payments	\$ 1,514,360
Disadvantaged pupil impact aid	224,133
Charges for services	<u>7,930</u>
Total operating revenues	1,746,423
<b>Operating Expenses</b>	
Salaries	767,699
Fringe benefits	254,074
Purchased services (Note 10)	940,970
Materials and supplies	133,733
Depreciation	44,798
Other	<u>4,692</u>
Total operating expenses	<u>2,145,966</u>
<b>Operating Loss</b>	(399,543)
<b>Nonoperating Revenues (Expenses)</b>	
Federal grants	522,678
State grants	9,010
Federal and state taxes	<u>(66,825)</u>
Total nonoperating revenues	<u>464,863</u>
<b>Change in Net Assets</b>	65,320
<b>Net Assets - Beginning of year</b>	<u>123,123</u>
<b>Net Assets - End of year</b>	<u><u>\$ 188,443</u></u>

# George A. Phillips Academy Lucas County

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## Statement of Cash Flows Year Ended June 30, 2006

### Cash Flows from Operating Activities

Received from foundation payments	\$ 1,514,360
Received from Disadvantaged Pupil Impact Aid	224,133
Received from other operating revenues	7,482
Payments to suppliers for goods and services	(1,013,846)
Payments to employees for services	(758,412)
Payments for employee benefits	<u>(255,684)</u>
Net cash used in operating activities	(281,967)

### Cash Flows from Noncapital Financing Activities

Federal grants received	493,629
State grants received	9,010
Federal and state taxes	<u>(66,825)</u>
Net cash provided by noncapital financing activities	435,814

### Cash Flows from Capital and Related Financing Activities

Deposits made for capital acquisitions	(15,000)
Payments for capital acquisitions	<u>(106,334)</u>
Net cash used in capital financing activities	<u>(121,334)</u>

<b>Net Increase in Cash</b>	32,513
<b>Cash - Beginning of year</b>	<u>201,288</u>
<b>Cash - End of year</b>	<u><b>\$ 233,801</b></u>

# George A. Phillips Academy Lucas County

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## Statement of Cash Flows (Continued) Year Ended June 30, 2006

Reconciliation of operating loss to net cash from operating activities:

Operating loss	\$ (399,543)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	44,798
Changes in assets and liabilities:	
Increase in intergovernmental receivable	(2,058)
Increase in accounts payable	48,469
Increase in contracts payable	<u>26,367</u>
Total adjustments	<u>117,576</u>
Net cash used in operating activities	<u>\$ (281,967)</u>

# **George A. Phillips Academy Lucas County**

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## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Description of the School and Reporting Entity**

George A. Phillips Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eighth. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. 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 Academy.

On July 1, 2003, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 30, 2008. 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. The total Sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2006 were approximately \$44,000.

The Academy operates under the direction of a five-member board of directors who also is the governing board for five other The Leona Group-managed schools (see Note 12). 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 board of directors controls the Academy's instructional/support facility staffed by 16 certificated full-time teaching personnel who provide services to 253 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee (see Note 13).



**Note 2 - Summary of Significant Accounting Policies**

The financial statements of George A. Phillips Academy have been prepared in conformity with generally accepted accounting principles (GAAP) 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 provided they do not conflict with or contradict GASB pronouncements. The Academy has elected to also follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies are described below.

**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.

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, 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.

**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 statement of net assets. The statement of revenues, expenses, and 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 activities.

**Basis of Accounting** - The 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.

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.

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Nonexchange transactions, in which the Academy 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 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.

Expenses are recognized at the time they are incurred.

**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 the Sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

**Intergovernmental Receivable** - Receivables at June 30, 2006 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

**Prepaid Items** - Payments made to vendors for services that will benefit periods beyond June 30, 2006 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.

**Capital Assets** - Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture and equipment, land, and buildings, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application will also be capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

# George A. Phillips Academy Lucas County

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## Notes to Financial Statements June 30, 2006

### Note 2 - Summary of Significant Accounting Policies (Continued)

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

Leasehold improvements	2-5 years
Furniture, fixtures, and equipment	3-7 years

**Net Assets** - Net assets represent the difference between assets and liabilities. 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 related to capital assets.

**Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as nonoperating.

**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.

**Intergovernmental Revenues** - The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy also participates in the Federal Charter School Grant program through the Ohio Department of Education. Under this program, the Academy was awarded \$225,000 to offset start-up costs of the Academy. Revenue received from this program is recognized as nonoperating revenues in the accompanying financial statements.

**Tax Status** - The Academy is not tax exempt under §501(c)(3) of the Internal Revenue Code. The Academy has prepared tax returns for fiscal year 2005 and has filed for an extension for fiscal year 2006. Amounts owed to the IRS and State of Ohio at June 30, 2006 are reported on the statement of net assets as taxes payable, if significant.

# George A. Phillips Academy Lucas County

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits

The Academy has designated two banks for the deposit of its funds.

The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. At year end, the Academy's deposit balance of \$264,025 had \$155,420 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 4 - Receivables

Receivables at June 30, 2006 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables is as follows:

Title I	\$	59,563
Title II-A		1,067
Title II-D		2,422
Title IV		5,129
Title V		32
Special Education, Part B		1,903
Other		<u>2,181</u>
Total all intergovernmental receivables	\$	<u>72,297</u>

**George A. Phillips Academy  
Lucas County**

**Notes to Financial Statements  
June 30, 2006**

**Note 5 - Capital Assets**

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

	Balance <u>June 30, 2005</u>	Additions	Balance <u>June 30, 2006</u>
<b>Business-type activity</b>			
Capital assets being depreciated:			
Leasehold improvements	\$ -	\$ 41,973	\$ 41,973
Furniture, fixtures, and equipment	<u>124,337</u>	<u>64,361</u>	<u>188,698</u>
Total capital assets being depreciated	<u>124,337</u>	<u>106,334</u>	<u>230,671</u>
Less accumulated depreciation:			
Leasehold improvements	-	(1,445)	(1,445)
Furniture, fixtures, and equipment	<u>(30,256)</u>	<u>(43,353)</u>	<u>(73,609)</u>
Total accumulated depreciation	<u>(30,256)</u>	<u>(44,798)</u>	<u>(75,054)</u>
Total capital assets being depreciated - Net	<u>\$ 94,081</u>	<u>\$ 61,536</u>	<u>\$ 155,617</u>

**Note 6 - Risk Management**

**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. During fiscal year 2006, the Academy contracted with EMC Insurance Company for general liability, property insurance, and educational errors and omissions insurance.

# George A. Phillips Academy Lucas County

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## Notes to Financial Statements June 30, 2006

### Note 6 - Risk Management (Continued)

Coverages are as follows:

Educational errors and omissions:

Per occurrence	\$ 8,000,000
Total per year	8,000,000

General liability:

Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

**Workers' Compensation** - The Academy pays the State Workers' 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.

### Note 7 - Defined Benefit Pension Plans

#### School Employees' Retirement System

**Plan Description** - The Academy contributes to the School Employees' Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees' Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746, by calling (614) 222-5853, or by visiting the SERS Ohio Website at [www.ohsers.org](http://www.ohsers.org).

**Note 7 - Defined Benefit Pension Plans (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salaries and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57 of annual covered salary 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 contributions to SERS for the years ended June 30, 2006, 2005, and 2004 were \$11,620, \$10,897, and \$12,252, respectively, equal to the required contributions for each year, of which 33 percent has been contributed for the fiscal year ended June 30, 2006 and 100 percent has been contributed for the fiscal years ended June 30, 2005 and 2004.

**State Teachers Retirement System**

The Academy participates in 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.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the defined benefit (DB) plan, new members are offered a defined contribution (DC) plan and a combined plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The combined plan offers features of the DC plan and the DB plan. In the combined plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan. Contributions into the DC plan and the combined plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

**Note 7 - Defined Benefit Pension Plans (Continued)**

**DB Plan Benefits** - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60, (ii) 25 years of service credit and attained age 55, or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the formula benefit, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio Service credit is calculated at 2.5 percent. An additional 0.1 percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the money-purchase benefit calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

**Combined Plan Benefits** - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the combined plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.



**Note 7 - Defined Benefit Pension Plans (Continued)**

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3 percent of the original base amount for defined benefit plan participants.

The defined benefit and combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A defined benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the defined benefit plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or combined plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

# **George A. Phillips Academy Lucas County**

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## **Notes to Financial Statements June 30, 2006**

### **Note 7 - Defined Benefit Pension Plans (Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006 were 10 percent of covered payroll for members and 14 percent for employers; 13 percent was the portion used to fund pension obligations. The Academy's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$79,684, \$71,910, and \$64,234, respectively, equal to the required contributions for each year, of which 94 percent has been contributed for the fiscal year ended June 30, 2006 and 100 percent has been contributed for the fiscal years ended June 30, 2005 and 2004.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2005 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Website at [www.strsoh.org](http://www.strsoh.org).

### **Note 8 - Postemployment Benefits**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the allocation rate is 3.43 percent. 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, prorated for partial service credit. For fiscal year 2005 (latest year available), the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Academy, the amount to fund health care benefits, including the surcharge, was \$2,288 for fiscal year 2006.

**Note 8 - Postemployment Benefits (Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deductions. Gross expenses for health care at June 30, 2005 (latest year available) were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005 (latest year available), the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of benefit recipients who received health care benefits was 58,123 for the fiscal year ended June 30, 2005 (latest year available).

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the associated 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.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2006 and 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005 (latest year available).

For the Academy, this amount equaled \$6,130 during the 2006 fiscal year. For the fiscal year ended June 30, 2005 (latest year available), net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients for the fiscal year ended June 30, 2005 (latest year available).

# George A. Phillips Academy Lucas County

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## Notes to Financial Statements June 30, 2006

### Note 9 - Contingencies

**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 of the Academy. 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, 2006.

**State Funding** - The Ohio Department of Education reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2006, the results of this review are not concluded. However, in the opinion of management, any changes to enrollment data will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

### Note 10 - Purchased Service Expense

For the year ended June 30, 2006, purchased service expenses were payments for services rendered by various vendors, as follows:

Repairs and maintenance	\$ 22,546
Legal	16,911
Insurance	25,881
Advertising	8,015
Dues and fees	3,464
Ohio Council of Community Schools	43,744
The Leona Group, LLC (Note 13)	338,955
Cleaning services	33,692
Utility	40,771
Other professional services	204,044
Other rentals and leases	14,657
Building lease agreements	<u>188,290</u>
Total purchased services	<u>\$ 940,970</u>

**George A. Phillips Academy  
Lucas County**

**Notes to Financial Statements  
June 30, 2006**

**Note 11 - Operating Leases**

The Academy has entered into a lease for the period from July 1, 2003 through June 30, 2008 with the Diocese of Toledo to lease the facilities of St. Jude Parish. Payments made totaled \$134,290 for the fiscal year. The building which houses the Academy is owned by the Bishop of the Diocese of Toledo. The Academy has the option to renew the lease at an inflation-adjusted rate at the end of the contract period.

The Academy has also entered into a lease for the period of July 1, 2005 through June 30, 2010, with renewal options, with the Fraternal Order of Police Toledo Lodge #40 to lease a building for the middle school campus. Payments made totaled \$54,000 for the fiscal year. The Academy may terminate this agreement at any time during the lease term by giving the landlord at least 90 days' prior written notice if either (i) any changes in federal, state, or local law or regulation mandate the expenditure of \$100,000 or more to modify or improve the facility and landlord and tenant are not able to negotiate an acceptable lease amendment addressing that issue within the 90-day period or (ii) actual funding from the State of Ohio to the tenant is reduced to such an extent that the tenant permanently ceases operation, provided that the tenant has sought adequate funding diligently and in good faith.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2006:

Fiscal Years Ending June 30	Elementary	
	School Campus	Middle School Campus
2007	\$ 137,906	\$ 54,000
2008	137,906	54,000
2009	-	54,000
2010	-	54,000
Total minimum lease payments	<u>\$ 275,812</u>	<u>\$ 216,000</u>

**Note 12 - Related Parties**

The Academy's governing board consists of the same members as the governing board for Eagle Academy, Toledo Accelerated Academy, Paul Laurence Dunbar Academy, Lake Erie Academy, and Wildwood Environmental Academy.

**Note 13 - Management Agreement**

The Academy entered into a five-year contract, effective May 1, 2002 through June 30, 2007, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12 percent of the per pupil expenditures and a year-end fee of 50 percent of the audited financial statement excess of revenues over expenses, if any. The Academy incurred management fees totaling \$338,955 for the year ended June 30, 2006. At June 30, 2006, contracts payable include \$78,996 for the payment of management fees and approximately \$118,000 for reimbursement of subcontracted employees and other operating costs. Terms of the contracts require TLG to provide the following:

- Implementation and administration of the Educational Program
- Management of all personnel functions, including professional development
- Operation of the school building and the installation of technology integral to school design
- All aspects of the business administration of the Academy
- The provision of food service for the Academy
- Any other function necessary or expedient for the administration of the Academy

The Academy may terminate this agreement with cause prior to the end of the term in the event that The Leona Group, LLC should fail to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from the Academy.

The Leona Group, LLC may terminate this agreement with cause prior to the end of the specified term in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from The Leona Group, LLC.

In the event this agreement is terminated by either party prior to the end of the specified term, the termination will not become effective until the end of the school year following the notice of termination and The Leona Group, LLC shall provide the Academy reasonable assistance for up to 90 days to assist in the transition to a regular school program.

# George A. Phillips Academy Lucas County

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## Notes to Financial Statements June 30, 2006

### Note 13 - Management Agreement (Continued)

For the year ended June 30, 2006, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

#### Expenses

Direct expenses:	
Salaries	\$ 767,699
Fringe benefits	254,074
Professional and technical services	50,215
Other direct costs	28,255
Indirect expenses - Overhead	<u>-</u>
<b>Total Expenses</b>	<b><u><u>\$ 1,100,243</u></u></b>

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# **George A. Phillips Academy**

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**Federal Awards  
Supplemental Information  
June 30, 2006**

# George A. Phillips Academy

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## Contents

Independent Auditor's Report	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10-11



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## Independent Auditor's Report

To the Board of Directors  
George A. Phillips Academy

We have audited the financial statements that collectively comprise George A. Phillips Academy's basic financial statements for the year ended June 30, 2006 and have issued our report thereon dated September 15, 2006. Those basic financial statements are the responsibility of the management of George A. Phillips Academy. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George A. Phillips Academy's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 15, 2006



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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Board of Directors  
George A. Phillips Academy

We have audited the financial statements of the business-type activities of George A. Phillips Academy as of and for the year ended June 30, 2006, which collectively comprise George A. Phillips Academy's basic financial statements, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered George A. Phillips Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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



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To the Board of Directors  
George A. Phillips Academy

We noted certain matters that we have reported to the management of George A. Phillips Academy in a separate letter dated September 15, 2006.

This report is intended solely for the information and use of management, the board of directors, the sponsor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Plante & Moran, PLLC

September 15, 2006



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## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors  
George A. Phillips Academy

### Compliance

We have audited the compliance of George A. Phillips Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of George A. Phillips Academy are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of George A. Phillips Academy's management. Our responsibility is to express an opinion on George A. Phillips Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about George A. Phillips Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on George A. Phillips Academy's compliance with those requirements.

In our opinion, George A. Phillips Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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To the Board of Directors  
George A. Phillips Academy

### **Internal Control Over Compliance**

The management of George A. Phillips Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered George A. Phillips Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the board of directors, the sponsor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 15, 2006

# George A. Phillips Academy

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
<b>Clusters:</b>								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Ohio Department of Education:								
National School Breakfast Program:	10.553							
Project number 000143-05PU-2005		\$ 8,150	\$ 8,150	\$ -	\$ -	\$ 2,251	\$ 2,251	\$ -
Project number 000143-05PU-2006		8,849	-	-	-	8,849	8,849	-
Total National School Breakfast Program		16,999	8,150	-	-	11,100	11,100	-
National School Lunch Program:	10.555							
Project number 000143-LLP4-2005		45,591	45,591	-	-	9,946	9,946	-
Project number 000143-LLP4-2006		56,138	-	-	-	56,138	56,138	-
Total National School Lunch Program		101,729	45,591	-	-	66,084	66,084	-
Total Child Nutrition Cluster		118,728	53,741	-	-	77,184	77,184	-
Special Education Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - IDEA:								
Project number 000143-6BSF-2005	84.027	43,865	43,865	2,107	-	2,107	-	-
Project number 000143-6BSF-2006		58,457	-	-	-	56,554	58,457	1,903
Total Special Education Cluster		102,322	43,865	2,107	-	58,661	58,457	1,903
Total Clusters		221,050	97,606	2,107	-	135,845	135,641	1,903



# George A. Phillips Academy

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
Other Federal Awards - U.S. Department of Education - Passed through the Ohio Department of Education:								
Title I:								
Project number 000143-CISI-2005	84.010	\$ 180,027	\$ 180,027	\$ 20,277	\$ -	\$ 20,277	\$ -	\$ -
Project number 000143-CISI-2006		227,155	-	-	-	148,116	207,679	59,563
Total Title I		407,182	180,027	20,277	-	168,393	207,679	59,563
Public Charter Schools Program - Program Development and Implementation Grants - Project number 000143-CHSI-2005								
	84.282	225,000	63,889	13,889	-	175,000	161,111	-
Education Technology State Grants:								
Project number 000143-TJSI-2005	84.318	4,334	4,334	2,720	-	2,720	-	-
Project number 000143-TJSI-2006		3,610	-	-	-	1,175	3,597	2,422
Total Education Technology State Grants		7,944	4,334	2,720	-	3,895	3,597	2,422
Improving Teacher Quality:								
Project number 000143-TRSI-2005	84.367	7,441	7,441	700	-	700	-	-
Project number 000143-TRSI-2006		8,997	-	-	-	7,058	8,125	1,067
Total Improving Teacher Quality		16,438	7,441	700	-	7,758	8,125	1,067

# George A. Phillips Academy

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
Other Federal Awards - U.S. Department of Education - Passed through the Ohio Department of Education (Continued):								
Safe and Drug-Free Schools and Communities: Project number 000143-DRSI-2005	84.186	\$ 61	\$ 61	(245)	\$ -	(245)	\$ -	\$ -
Project number 000143-DRSI-2006		6,534	-	-	-	598	5,727	5,129
Total Safe and Drug-Free Schools and Communities		6,595	61	(245)	-	353	5,727	5,129
Innovative Education Program Strategies: Project number 000143-C2S1-2005	84.298	1,206	1,206	1,085	-	1,085	-	-
Project number 000143-C2S1-2006		798	-	-	-	766	798	32
Total Innovative Education Program Strategies		2,004	1,206	1,085	-	1,851	798	32
Total noncluster programs passed through the Ohio Department of Education		665,163	256,958	38,426	-	357,250	387,037	68,213
Total federal awards		\$ 886,213	\$ 354,564	\$ 40,533	\$ -	\$ 493,095	\$ 522,678	\$ 70,116

# **George A. Phillips Academy**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of George A. Phillips Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2 - Federal Subsidy Summary Report**

Management has utilized the federal subsidy summary report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# George A. Phillips Academy

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.282	Program Development and Implementation Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# George A. Phillips Academy

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

### Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

### Section III - Federal Program Audit Findings

Reference Number	Findings
	None





**Mary Taylor, CPA**  
Auditor of State

**GEORGE A. PHILIPS ACADEMY**

**LUCAS 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  
FEBRUARY 20, 2007**