



Mary Taylor, CPA
Auditor of State

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006	3
Statement of Net Assets - As of June 30, 2006.....	7
Statement of Revenues, Expenses, and Change in Net Assets – For the Fiscal Year Ended June 30, 2006	8
Statement of Cash Flows - For the Fiscal Year Ended June 30, 2006.....	9
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Schedule of Prior Audit Findings.....	27

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Urban Youth Academy, Inc.
Clark County
1408 Clifton Ave
Springfield, Ohio 45505

To the Governing Board:

We have audited the accompanying basic financial statements of Urban Youth Academy, Inc., Clark County, (the Academy), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express 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.

The Academy's financial statements do not disclose a liability for compensated absences. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America. As a result of this omission, the Academy's Statement of Net Assets understates liabilities and overstates net assets by amounts we cannot reasonably determine.

In our opinion, except for the effects of not disclosing a liability for compensated absences as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Academy as of June 30, 2006, and the respective 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.

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As shown in the accompanying financial statements for the period ended June 30, 2006, the Academy has incurred a working capital deficiency of \$142,840. Accordingly, there is substantial doubt about the Academy's ability to continue as a going concern.

The Auditor of State has billed the Academy for services rendered for audit services provided for fiscal year 2005. As of the date of this report, the Academy has been billed a total of \$8,746, and has yet to pay \$2,926. This outstanding amount has been referred to the Department of Education for collection from future foundation payments. In January 2007, the Ohio Department of Education began withholding \$418 from the Academy's monthly foundation payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2007, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 2, 2007

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

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

The discussion and analysis of Urban Youth Academy (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year June 30, 2006. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were \$23,651.
- Total Liabilities were \$149,846.
- Total Change in Net Assets was \$(140,573).

Using this Annual Financial Report

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

Statement of Net Assets

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

Table 1 provides a summary of the Academy's net assets at June 30, 2006. As last year was the initial period of the operations and was not a full fiscal year, comparisons to the prior year are not shown:

**(Table 1)
Net Assets**

<hr/>	
Assets	
Current Assets	\$7,006
Security Deposits	5,000
Capital Assets, Net	<u>11,645</u>
Total Assets	<u><u>23,651</u></u>
Liabilities	
Current Liabilities	<u>149,846</u>
Total Liabilities	<u>149,846</u>
Net Assets	
Invested in Capital Assets	11,645
Restricted	5,433
Unrestricted	<u>(143,273)</u>
Total Net Assets	<u><u>(\$126,195)</u></u>

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

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

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.

**Table 2
Change in Net Assets**

Operating Revenue	
Foundation Payments	\$806,690
Special Education	46,665
Other	589
Total Operating Revenues	<u>853,944</u>
Operating Expenses	
Salaries	464,802
Fringe Benefits	128,831
Purchased Services	431,441
Materials and Supplies	50,065
Depreciation Expense	3,100
Other Operating Expense	20,875
Total Operating Expenses	<u>1,099,114</u>
Non-Operating Revenues and (Expenses)	
Operating Grants - Federal	61,989
Operating Grants - State	39,133
Contributions and Donations	3,475
Total Non-Operating Revenues and (Expenses)	<u>104,597</u>
Increase/(Decrease) in Net Assets	<u><u>(\$140,573)</u></u>

State Foundation Payments, and Special Education, as a whole, are the primary support for the Academy, representing 99.9 percent of the operating revenue. Salaries and Fringe Benefits comprise 54 percent of operating expenses.

The Academy had total revenues of \$958,541, and total expenses of \$1,099,114. The change in net assets for the year was a decrease of \$140,573. This decrease was due to accruals for salary and benefits for teachers who have incurred costs through June 30, 2006 and will be paid in July and August after the period end. This indicates the Academy cannot meet its obligations without an increase in students.

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

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

Capital Assets

At the end of fiscal year June 30, 2006, the Academy had \$11,645 (net of \$3,859 in accumulated depreciation) invested in furniture and equipment. Table 3 shows balances at June 30, 2006:

Capital Assets at June 30 (Net of Depreciation)	
Computers	\$8,569
Furniture, Fixtures, and Equipment	<u>3,076</u>
Totals	<u><u>\$11,645</u></u>

For more information on capital assets, see note 4 to the basic financial statements.

Debt

At the end of fiscal year June 30, 2006, the Academy had debt of \$10,000. An operating loan, in the amount of \$20,000, was made during the fiscal year by a board member with no maturity date for pay back. (See Notes 8 and 13)

Current Financial Issues

The inclusion of the Lucas County Educational Service Center as the Academy's fiscal agent greatly improves its internal control structure and the quality of its financial records. During the fiscal year June 30, 2006, there were approximately 120 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for this period amounted to \$5,283 per student.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Michael Ward at Urban Youth Academy, Springfield, Ohio or e-mail at michaelsward@sbcglobal.net.

This page intentionally left blank.

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006**

Assets:

Current Assets:

Cash and Cash Equivalents	\$533
Intergovernmental Receivable	4,228
Prepaid Items	2,245
	<hr/>
Total Current Assets	7,006

Non-Current Assets:

Security Deposits	5,000
Capital Assets, Net	11,645
	<hr/>
Total Non-Current Assets	16,645
Total Assets	<hr/> <hr/> 23,651

Liabilities:

Current Liabilities:

Accounts Payable	26,837
Accrued Wages and Benefits Payable	73,228
Intergovernmental Payable	39,781
Loan Payable	10,000
	<hr/>
Total Current Liabilities	149,846

Net Assets:

Invested in Capital Assets	11,645
Restricted for Other Purposes	5,433
Unrestricted	(143,273)
	<hr/>
Total Net Assets	<hr/> <hr/> (\$126,195)

See accompanying notes to the basic financial statements.

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

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

	Enterprise
Operating Revenues:	
Foundation Payments	\$806,690
Special Education	46,665
Other	589
Total Operating Revenues	853,944
Operating Expenses:	
Salaries	464,802
Fringe Benefits	128,831
Purchased Services	431,441
Materials and Supplies	50,065
Depreciation	3,100
Other Operating Expenses	20,875
Total Operating Expenses	1,099,114
Operating Loss	(245,170)
Non-Operating Revenues (Expenses):	
Operating Grants - Fed	61,989
Operating Grants - State	39,133
Contributions and Donations	3,475
Total Non-Operating Revenues (Expenses)	104,597
Change in Net Assets	(140,573)
Net Assets Beginning of Year	14,378
Net Assets End of Year	(\$126,195)

See accompanying notes to the basic financial statements.

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows Used for Operating Activities:

Cash Received from State of Ohio	\$887,451
Cash Received Other Operating Revenue	589
Cash Payments to Suppliers for Goods and Services	(471,705)
Cash Payments to Employees for Services	(439,113)
Cash Payments for Employee Benefits	(82,028)
Cash Payments to Other Operating Uses	(20,194)
	(125,000)
Net Cash Used for Operating Activities	(125,000)

Cash Flows from Noncapital Financing Activities:

Operating Grants - Federal	61,989
Operating Grants - State	39,134
	101,123
Net Cash Provided by Noncapital Financing Activities	101,123

Cash Flows from Capital and Related Financing Activities:

Proceeds from Sale of Notes	20,000
Contributions and Donations	3,475
Payments for Capital Acquisitions	(2,405)
Principal Payments	(10,000)
	11,070
Net Cash Used for Noncapital Financing Activities	11,070

Net Decrease in Cash and Cash Equivalents (12,807)

Cash and Cash Equivalents, July 1, 2005 13,340

Cash and Cash Equivalents, June 30, 2006 533

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:

Operating Loss (\$245,170)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation	3,100
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(2,245)
Decrease in Intergovernmental Receivable	29,867
Increase in Accounts Payable	9,139
Increase in Accrued Wages and Benefits	40,528
Increase in Intergovernmental Payable	39,781
	\$120,170

Total Adjustments \$120,170

Noncash investing, capital and financing activities:

Payment of debt by management company \$10,000

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006**

1. DESCRIPTION OF THE REPORTING ENTITY

Urban Youth Academy, Inc., Clark County, (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy serves as a community resource helping individuals toward academic success, personal goal attainment, and overcoming risk barriers that will lead to a successful Future. The Academy is dedicated to providing the best possible academic experiences to students in combination of vocational and work-based learning programs. 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.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing September 1, 2004 (see Note 16). 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 sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Fiscal Officer of the Academy (See Note 10).

The Academy operates under the direction of a Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 6 non-certified and 8 certificated full time teaching personnel who provide services to 120 students.

The Academy is in the process of obtaining tax exempt status under Section 501 (c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus

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

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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 does not maintain a capitalization policy and does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Computers	5
Furniture, Fixtures and Equipment	5

I. 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.

J. 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 from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

K. 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.

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2006, the carrying amount of the Academy's deposits was \$533 and the bank balance was \$14,411. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$14,411 was covered by the Federal Depository Insurance Corporation and not exposed to custodial credit risk.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. CAPITAL ASSETS

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

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
Capital Assets:				
Computers	\$ 8,872	\$2,405		\$11,277
Furniture and Equipment	4,227			4,227
Totals Capital Assets	<u>13,099</u>	<u>2,405</u>		<u>15,504</u>
Less Accumulated Depreciation:				
Computers	(453)	(2,255)		(2,708)
Furniture, Fixtures, and Equipment	(306)	(845)		(1,151)
Total Accumulated Depreciation	<u>(759)</u>	<u>(3,100)</u>		<u>(3,859)</u>
Capital Assets, Net	<u>\$12,340</u>	<u>(\$ 695)</u>	<u>\$0</u>	<u>\$11,645</u>

5. RISK MANAGEMENT

A. Insurance Coverage

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 the period ending June 30, 2006, the Academy contracted with the Wallace & Turner, Inc. for commercial, automobile and liability insurance.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

5. RISK MANAGEMENT (Continued)

<u>Type of Coverage</u>	<u>Coverage</u>
Commercial General Liability	\$1,000,000 Each Occurrence Limit \$1,000,000 Personal and Advertising Injury \$100,000 Any One Premise Rented \$5,000 Medical Expense One Person \$2,000,000 General Aggregate \$2,000,000 Products/Completed
Operations	\$3,000,000 Umbrella Each/Aggregate
General Liability	\$1,000,000 School Leaders
Errors/Omissions	\$1,000,000 Sexual Conduct/Molestation
Vehicle Policy	\$1,000,000 Bodily injury \$1,000,000 Property damage \$1,000,000 Uninsured Motorist
Employers Stop Gap Liability	\$1,000,000 Bodily Injury by Disease \$1,000,000 Bodily Injury by Accident \$2,000,000 Aggregate
Employee Benefits Liability	\$1,000,000 Each employee \$3,000,000 Aggregate

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the school district has not significantly reduced coverages in the past year.

The Academy owns no property, but leases facilities with Urban Light Industries, Clifton Avenue Church of God, Herbert Dooley and Arlington Towers Co., Inc. during this period. (See Note 12)

B. Workers' Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for period ending June 30, 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the period ending June 30, 2006 and the period September 1, 2004 to June 30, 2005 was \$36,217 and \$14,121; 55.5 percent was contributed for fiscal year June 30, 2006 and 100 percent was made for the period September 1, 2004 to June 30, 2005. \$14,304 represents the unpaid contribution for the period ended 2006. The balance outstanding is reflected as an intergovernmental payable.

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. 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 the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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% 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%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% 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% instead of 2.2%. 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.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

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% 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 – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% 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.

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer 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% 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 dependent. 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 these active 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. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Academy's required contribution for pension obligations for the fiscal year June 30, 2006 and the period September 1, 2004 to June 30, 2005 was \$36,533 and \$9,854; 93.1 percent was contributed for fiscal year June 30, 2006 and 100 percent was made for the period September 1, 2004 to June 30, 2005. \$1,974 represents the unpaid contribution for fiscal year 2006. The balance outstanding is reflected as an intergovernmental payable.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2006 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2006 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

7. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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 ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, 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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 3.42 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, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. 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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$158,751,207. 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% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 59,492.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2006, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the Academy, the amount to fund health care benefits including surcharge equaled \$7,930 for the fiscal year 2006.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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 plan 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 the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion as of June 30, 2005. For the Academy, this amount equaled \$2,296 for the fiscal year ended June 30, 2006.

For the fiscal year ended June 30, 2006 net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

8. NOTES PAYABLE

On August 24, 2005, the Academy received \$20,000 from Pastor Samuel Wollum (Board Member) as a loan for operations. \$10,000 of the loan was paid back by the Academy with the management company paying the remainder \$10,000. As a result, as outstanding at fiscal year end of \$10,000 was due to the management company. Normally, in-kind interest expense and in-kind contributions would be shown on the financial statements but they are considered immaterial.

9. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2006.

B. School Funding

The Ohio Department of Education conducts reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for fiscal year 2006 resulted in an intergovernmental payable of \$8,639.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

10. FISCAL AGENT

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center (the Sponsor) to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. Total contract payments of \$17,956 were paid during the fiscal year June 30, 2006.

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

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

11. PURCHASED SERVICES

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

Professional and Technical Services	\$263,015
Property Services	138,734
Travel	4,253
Communications	10,478
Utilities	1,908
Pupil Transportation	13,053
Total Purchased Services	<u><u>\$431,441</u></u>

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

12. OPERATING LEASES – LESSEE DISCLOSURE

The Academy has entered into the following operating leases with fiscal year payments totaling \$121,169 to house the Academy:

In August 2005 the Academy entered into an annual lease with Urban Light Industries for monthly rents in the amount of \$3,000 for property located at 424 S. Fountain Street.

In October 2004 the Academy entered into an annual lease with Clifton Avenue Church of God for monthly rents of \$2,917 for property located at 1408 Clifton Avenue.

In April 2006 the Academy entered into an annual lease with Herbert Dooley for monthly rents of \$750 for property located at 602 S. Railroad Street.

In June 2005 the Academy entered into a five-year lease ending September 2010 with Arlington Towers, Inc. for monthly rents of \$3,000 for the first three years of the lease and then \$3,733 for the remaining two years of the lease for property located at 1879 S. Limestone Street and 1833 S. Limestone Street.

The Academy also rented an automobile from Rewey Rent-A-Car on a month to month basis with fiscal year payments totaling \$10,466.

The following minimum lease payments will be made for fiscal year ending:

<u>Fiscal Year</u>	<u>Urban Light Ministries</u>	<u>Clifton Ave. Church of God</u>	<u>Herbert Dooley</u>	<u>Arlington Towers, Inc.</u>
2007	\$7,000	\$35,004	\$6,750	\$ 36,000
2008		8,751		36,000
2009				43,330
2010				44,796
2011				7,466
Total future minimum payments:	\$7,000	\$43,755	\$6,750	\$167,592

13. RELATED PARTY TRANSACTIONS

Michael Ward (founder of the Academy) is husband of Joanna Ward, CEO of the Academy. Michael Ward is also the owner of the Urban Management and Development Company (the management company contracted by the Academy) which received management fees of \$131,807 during fiscal year 2006.

On August 23, 2005, the Academy entered into a loan agreement with Samuel and Imogene Wollum, (Samuel is a member of the Board) for \$20,000, with interest payable on the unpaid principal at the rate of 15.0% per annum, calculated monthly (not in advance) during the fiscal year for operating expenses of which \$10,000 was paid back with \$10,000 still outstanding at June 30, 2006.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2006
(Continued)**

14. MANAGEMENT COMPANY

The Academy contracts with Urban Management and Development (UMD of Ohio, LLC) to serve as the Academy's management company. UMD of Ohio, LLC agrees to provide such requisite management, educational, financial and other consulting services necessary to form and operate the Academy in accordance with the charter school contract between the Academy and its sponsor. The agreement covers a period of five years and the Academy agrees to pay UMD of Ohio, LLC a monthly continuing fee of eighteen percent (18%) of the School's Qualified Gross Revenue. The management fee for the fiscal year ended 2006 was \$131,807. Michael Ward, husband of Joana Ward, CEO, is owner of UMD.

15. CONTINGENT LIABILITIES

A lawsuit is pending against the Academy which is currently in the discovery phase. In the opinion of the Academy's attorney, an evaluation of neither the likelihood of an unfavorable outcome nor an estimate of the amount or range of potential loss can be given at this time.

16. SUBSEQUENT EVENT

The Academy ended its sponsorship with Lucas County Educational Service Center at fiscal year end June 30, 2006. An agreement was entered into with Educational Resource Consultants of Ohio beginning July 1, 2006 and ending June 30, 2009 as fiscal agent.

The Academy approved borrowing \$50,000 via promissory note on February 15, 2007 from Urban Management Development to be paid back in fiscal year 2008.

17. NONCOMPLIANCE

The Academy did not comply with a requirement regarding retirement contributions.



Mary Taylor, CPA

Auditor of State

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

Urban Youth Academy, Inc.
Clark County
1408 Clifton Ave
Springfield, Ohio 45505

To the Governing Board:

We have audited the financial statements of the business-type activities of Urban Youth Academy, Inc., Clark County, (the Academy), as of and for the year ended June 30, 2006, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 2, 2007 wherein we noted the Academy has negative working capital that raises substantial doubt about its ability to continue as a going concern and did not report any liability for compensated absences. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-002 and 2006-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2006-002 listed above to be a material weakness. In a separate letter to the Academy's management dated April 2, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-004. In a separate letter to the Academy's management dated April 2, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 2, 2007

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

**SCHEDULE OF FINDINGS
FOR PERIOD ENDED JUNE 30, 2006**

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

FINDING NUMBER 2006-001

Finding for Recovery – Repaid Under Audit

Check number 1173, dated September 27, 2006 was made payable to Donna King (Fund Development Consultant) for grant writing services in the amount of \$640. This payment was for expenses incurred by Urban Management and Development (not the Academy). Thus, an overpayment of \$640 was made by Urban Youth Academy to Donna King.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery of public monies is hereby issued against Donna King, Fund Development Consultant, in the amount of six hundred-forty dollars (\$640) in favor of the Academy.

On March 15, 2007, Urban Management and Development reimbursed \$640 to the Academy. The Academy should adopt and implement procedures to provide that payments are made to vendors which actually perform services for the Academy.

FINDING NUMBER 2006-002

Reportable Condition – Going Concern

The Academy incurred a working capital deficiency of \$142,840 as of June 30, 2006 which represented 2,038.9% of the total current assets and 113.2% net assets, indicating a lack of routine monitoring of the financial activity of the Academy.

Accordingly, there is substantial doubt about the Academy's ability to continue operating. Management should develop and implement a detailed plan regarding this situation. Procedures should then be developed and implemented to monitor the progress of this plan and all future financial activity to prevent the improper obligation of funds/assets.

Client Response:

Much of UYA's deficit spending is not so much due to a lack of routine financial monitoring as it is a lack of priority spending. The Academy has failed to focus on revenue increases and has focused mainly on debt reduction. To this end, the Academy has earmark monies for advertising on radio, television, and newspapers, as well as, concentrated adequate amount of its 2007 revenue toward capital expenditures that will greatly enhance its ability to service its growing population of students. Moreover, with the pending closure of South High School in Springfield, the Academy will increase its revenue significantly by the at least 60% with the influx of new students.

FINDING NUMBER 2006-003

Reportable Condition – Sick Leave

The Academy did not track the use and accumulation of leave balances to include sick, personal, and vacation. Additionally, the Uniform Staff Payroll System, which was utilized by the Academy, showed leave balances at June 30, 2006 which were greater than the annual accrual rate and the Academy did not have a policy in place which addressed the carry over of sick leave balances from year to year. According to the Benefit Accrual Sick Leave Report, five employees had balances greater than the yearly accrual amount and no liability has been disclosed on the Academy's financial statements. Employees could, as a result of this weakness, receive unearned benefits or lose earned benefits and users of the financial statements could make incorrect conclusions regarding the school's financial condition.

The Academy should implement procedures to maintain accurate leave records, including obtaining training to utilize the Uniform Staff Payroll System. In February 2007, the Board approved a sick leave policy that prohibits the carrying forward of accumulated sick leave from one year to the next.

Client Response:

In addition to the board passage of a sick leave policy in February 2007, our business manager received his treasurer's license and has had extensive training on the USPS system. Therefore corrections have been made in the USPS to eliminate future errors and align the system to reflect board policies.

FINDING NUMBER 2006-004

Ohio Rev. Code Section 3309.47 requires that each school employee's retirement contributor shall contribute eight percent of the contributor's compensation to the employee's savings fund, except that the school employees retirement board may raise the contribution to a rate not greater than ten percent of the compensation. The contributions by the director of the school employees retirement board shall be deducted by the employer from the compensation of each contributor on each payroll of such contributor for each payroll period and shall be an amount equal to the required percent of such contributor's compensation. Further, **Ohio Rev. Code Section 3309.49** requires that each employer shall pay to the School Employees Retirement System (SERS) an amount certified by the secretary that shall be a certain percent of the earnable compensation of all employees, and shall be known as the "employer contribution."

As of June 30, 2006, the Academy owed SERS \$14,034 for contributions withheld from employee wages and owed by the Academy. The Academy should implement procedures to timely and accurately remit all SERS liabilities. This will help reduce the possibility of additional expenditures to the Academy for fines imposed for late pension filings and provide for accurate posting to the employees' retirement accounts.

Client Response:

The Academy was unaware of the SERS board share deficit in June of 2006. Staff changes were made in 2006 that were not reflected on the board share amounts being received by SERS. Neither the treasurer nor SERS contact UYA directly until August of 2006, at which time arrangements were made to increase the board share amount paid by the Academy. To date, the \$14,034 liability has been reduced by 50%.

URBAN YOUTH ACADEMY, INC.
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery Repaid Under Audit	Yes	Corrected
2005-002	Going Concern	No	Still Applicable



Mary Taylor, CPA
Auditor of State

URBAN YOUTH ACADEMY, INC.

CLARK 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
JULY 19, 2007**