CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE, 30,2008

Mary Taylor, CPA
Auditor of State

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Chase Academy for Communication Arts
Franklin County
1565 Integrity Drive
Columbus, Ohio 43215

To the Board of Directors:

We have audited the accompanying basic financial statements of Chase Academy for Communication Arts, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Academy has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of Chase Academy for Communication Arts, Franklin County, Ohio, as of and for the year ended June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy is experiencing certain financial difficulties. Those difficulties and Management's Plans are discussed in Note 16.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2009 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 4, 2009

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The discussion and analysis of the Chase Academy for Communication Arts (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2008. 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 $225,278.

- Total liabilities were $301,879, consisting of accounts, wages and benefits, and intergovernmental payables, and long term liabilities.

- Total net assets reflected a negative balance of ($76,601), an increase of $76,719 from the prior year deficit of ($153,320).

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.

One of the most important questions asked about the Academy's finances is, "Is the Academy better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Academy as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Table 1 provides a summary of the Academy's net assets for fiscal year 2008 compared to fiscal year 2007:

Table 1
Net Assets

	2008	2007
Assets		
Current Assets	$ 56,766	$ 49,740
Capital Assets, net	168,512	36,707
Total Assets	$ 225,278	$ 86,447
Liabilities		
Current Liabilities	$ 156,879	$ 239,767
Long Term Liabilities	145,000	-
Total Liabilities	$ 301,879	$ 239,767
Net Assets		
Invested in Capital Assets	$ 23,512	$ 36,707
Unrestricted	(100,113)	(190,027)
Total Net Assets	$ (76,601)	$ (153,320)

Total assets increased by $138,831 from the prior year as a result of the Academy's net income of $76,719. Current liabilities decreased due to no additional capital purchased and depreciation on existing capital assets. Current liabilities decreased $82,888 from the prior year. This is due to a decrease in wages expense and therefore wages payable and retirement payable at year end. Long term liabilities increased by $145,000 due to the Academy receiving a loan for leasehold improvements. The Academy's net assets increased by $76,719.

Table 2 shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007:

Table 2
Change in Net Assets

	2008	2007
Revenues		
Operating Revenues:		
Sales	10,562	-
Foundation Payments	1,190,910	1,397,375
Other Operating Revenues	19,668	1,603
Non-Operating Revenues:		
Federal and State Grants	235,695	455,305
Total Revenues	1,456,835	1,854,283
Expenses		
Operating Expenses		
Salaries	524,362	935,529
Fringe Benefits	270,314	198,568
Purchased Services	400,177	613,208
Materials and Supplies	103,098	131,230
Depreciation	13,195	22,660
Miscellaneous	68,970	27,426
Total Expenses	1,380,116	1,928,621
Increase/(Decrease) in Net Assets	$ 76,719	$ (74,338)

There was a decrease in revenues of $397,448 or 21.4% from fiscal year 2007. Enrollment of the Academy decreased by 40 students from the prior year causing both a decrease in state foundation payments of $206,465 and a decrease in federal and state subsidies of $219,610. Community Schools receive no support from tax revenues; State foundation payments are the primary support for the Academy representing 82% of total revenues. Additionally, school lunch receipts and federal intervention and special education grants are based on enrollment and all decreased from the prior year.

Correspondingly, the Academy had a decrease in expenses of $548,505 or 28.4%. Salaries and Benefits are the primary expense of the Academy, representing 57.6% of total expenses. As a result of the decrease in enrollment, the Academy reduced employee hours and wage rates generating a decrease in wage expense of $411,167 or 42.9%. Purchased services also decreased $213,031 or 34.7% due to less transportation, food, and other services required for less students in attendance.

Capital Assets

At the end of fiscal year 2008 the Academy had $168,512 (net of accumulated depreciation) invested in capital assets. Table 3 shows fiscal year 2008 balances compared to fiscal year 2007:

Capital Asset at June 30, 2008
(Net of Depreciation)

	2008	2007
Furniture, Fixtures, and Equipment	$ 16,342	$ 25,952
Vehicles	7,170	10,755
Leasehold Improvement	145,000	-
Totals	$ 168,512	$ 36,707

For more information on capital assets, see Note 7 to the basic financial statements.

Debt

At June 30, 2008, the Academy had $145,000 in long term liabilities due to the Academy receiving a loan for leasehold improvements. Note 6 summarizes the Academy's debt.

Current Financial Issues

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

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

The second challenge facing the Academy is the future of state funding. On October 4, 2004, a suit was filed in the US District Court, Southern District of Ohio, Western Division, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. The case is pending. The Academy is unable to determine what effect, if any, this decision will have on future funding from the State.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Arthur Williamson, Interim Administrator of Chase Academy, located at 1565 Integrity Drive E, Columbus, OH 43215.

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CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

Assets		
Current Assets		
Cash	$	42,845
Receivable - Intergovernmental		13,921
Total Current Assets		56,766
Non-Current Assets		
Capital assets (Net of Accumulated Depreciation)		168,512
Total Assets	$	225,278
Liabilities and Fund Equity		
Current Liabilities		
Accounts Payable	$	65,794
Accrued Wages & Benefits		67,131
Intergovernmental Payable		23,954
Total Current Liabilities		156,879
Long Term Liabilities		
Due within One Year		110,833
Due more than One Year		34,167
Total Long Term Liabilities		145,000
Total Liabilities		301,879
Net Assets		
Invested in Capital Assets, Net of Related Debt		23,512
Unrestricted		(100,113)
Total Net Assets	$	(76,601)

The accompanying Notes are an integral part of the Financial Statements

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	$ 1,190,910
Food Service	8,294
Extracurricular	2,268
Other Operating Revenues	19,668
Total Operating Revenues	1,221,140
Operating Expenses	
Salaries & Wages	524,362
Fringe Benefits	270,314
Purchased Services	400,177
Materials & Supplies	103,098
Depreciation	13,195
Miscellaneous	68,970
Total Operating Expenses	1,380,116
Operating Loss	(158,976)
Non-Operating Revenues	
State subsidies	26,872
Federal subsidies	208,823
Total Non-Operating Revenues	235,695
Change in Net Assets	76,719
Net Deficit Assets Beginning of Year	(153,320)
Net Deficit Assets End of Year	$ (76,601)

The accompanying Notes are an integral part of the Financial Statements

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities	
Cash received from Foundation Payments	$ 1,190,910
Cash received from Food Service Revenues	8,294
Cash received from Extracuricular Revenues	2,268
Cash received from Other Operating Revenues	19,668
Cash payments for personal services	(854,204)
Cash payments for contract services	(403,863)
Cash payments for supplies and materials	(122,360)
Cash payments for Miscellaneous	(69,382)
Net Cash Used for Operating Activities	(228,669)
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	263,718
Net Cash from Noncapital Financing Activities	263,718
Net increase in cash and cash equivalents :	35,049
Cash and cash equivalents at beginning of year	7,796
Cash and cash equivalents at end of year	$ 42,845
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (158,976)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	13,195
Changes in Assets and Liabilities:	
Accounts Payable	(7,204)
Wages Payable	(50,928)
Intergovernmental Payable	(24,756)
Total Adjustments	(69,693)
Net Cash Used for Operating Activities	$ (228,669)
Noncash Capital Financing Activities	
Leasehold Improvements	$ 145,000

The accompanying Notes are an integral part of the Financial Statements

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1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Chase Academy for Communication Arts (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 and has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

During the beginning of fiscal year 2008, the Academy's sponsor was Buckeye Community Hope Foundation (the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy terminated its sponsorship contract with Buckeye Hope Community Foundation effective April 2, 2008 and entered into a new sponsorship agreement with Educational Resource Consultants of Ohio, Inc.

During the beginning of fiscal year 2008, ACE Charter School Services served (November 4, 2005 to July 30, 2007) as the Chief Fiscal Officer. The contract with Harris Computer ACE Charter School Services was terminated July 30, 2007 and the Academy entered into an agreement with the Venice Group for fiscal services beginning August 1, 2007. The contract with the Venice Group was terminated on January 9, 2008 and the Academy entered into an agreement with All About Learning, Inc. for fiscal services (See Note 11).

The Academy operates under the direction of a seven-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by 18 certificated personnel and 7 classified staff who provide services to 181 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

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

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 the Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public school located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its fiscal 2008 sponsor, Educational Resource Consultants of Ohio, does not prescribe a budgetary process for the Academy.

E. Cash and Cash Equivalents

During fiscal year 2008, all monies received by the Academy were accounted for by the Academy's fiscal agent, ACE Charter School Services until July 30, 2007, Venice Group from August 1 to January 9, 2008, and then All About Learning, Inc. to present. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. The Academy did not have any investments during fiscal year 2008.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond fiscal year end, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. The Academy did not have any prepaid items at fiscal year end 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. The Academy did not capitalize interest during the year.

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

Description	Estimated Lives
Furniture and Equipment	5
Computers	3
Vehicles	5
Leasehold Improvements	1 - 10

H. Intergovernmental Revenues

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

The Academy also participates in various federal and state grant programs through Ohio Department of Education. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under the above named programs for the year ended 2008 totaled $1,426,605.

I. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2008:

Accrued Wages and Benefits Payable – a liability has been recognized at June 30, 2008 for salary payments made after year end that were for services rendered in fiscal year 2008 ($65,748), workers compensation ($429), and Medicare ($954).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Payable – unpaid retirement contributions to STRS Ohio ($16,604) and SERS Ohio ($7,350) at year end.

J. Estimates

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has $145,000 debt related to capital assets.

3. CHANGES IN ACCOUNTING PRINCIPALS

For fiscal year 2008, the Academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues," and GASB Statement No. 50, "Pension Disclosures." The implementation of GASB Statement 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (Refer to Note 10) have been modified to conform to the new reporting requirements. The implementation of GASB Statement 48 and GASB Statement 50 did not have an effect on the financial statements for the Academy.

4. DEPOSITS

At June 30, 2008, the carrying amount of all Academy deposits was $42,845. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, all of the Academy's bank balance of $65,092 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy has no deposit policy for custodial credit risk.

5. RECEIVABLES

Receivables at June 30, 2008 consisted of intergovernmental receivables arising from grants and entitlements, as summarized below. All receivables are considered collectible in full.

Intergovernmental Receivable	Amount
Title I	$2,024
Title II	224
Title II-D	9
Title IV-A	240
Special Education Part B IDEA	11,424
	$13,921

6. LONG TERM LIABILITIES

Debt outstanding at June 30, 2008 is $145,000. The Academy entered into a loan agreement with CSPS-Columbus, LLC, the lessor of their building on June 20, 2008 for the purpose of remodeling the current leased building. The Academy will pay $110,833 and $34,167 for fiscal year 2009, and 2010, respectively, with interest payment of $8,000 and $1,600, respectfully.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	$ 43,890	$ -	$ -	$ 43,890
Computers	27,087	-	$ -	27,087
Vehicles	17,925	-		17,925
Leasehold Improvements	13,000	145,000	-	158,000
Total Capital Assets Being Depreciated	101,902	145,000	-	246,902
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	$ (17,938)	$ (9,610)	$ -	$ (27,548)
Computers	(27,087)	-		(27,087)
Vehicles	(7,170)	(3,585)		(10,755)
Leasehold Improvements	(13,000)	-	-	(13,000)
Total Accumulated Depreciation	(65,195)	(13,195)	-	(78,390)
Capital Assets, Net of A/D	$ 36,707	$ 131,805	$ -	$ 168,512

8. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2008, the Academy contracted with the Erie Insurance Group for liability insurance. The general liability coverage is in the amount of $2,000,000 aggregate.

Settled claims have not exceeded this commercial coverage in the past three years. The Academy owns no real estate, but leases a facility (See Note 12).

B. Workers' Compensation

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

C. Other Employee Benefits

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy 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 2008, 9.16 percent 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $19,465, $22,891 and $16,440 respectively; 75.3% percent has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $86,267, $113,400, and $91,212 respectively; 82.1 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, no employees have elected social security.

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

10. POSTEMPLOYMENT BENEFITS – (Continued)

A. School Employees Retirement System – (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $8,883, $5,428, and $3,124 respectively; 75.3% has been contributed for 2008 and 100 percent for 2007 and 2006 respective fiscal years.

The Retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2008 was $1,403 75.3% has been contributed for fiscal year 2008.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $6,636, $8,153, and $6,515 respectively; 82.1% has been contributed for 2008 and 100 percent has been contributed for 2007 and 2006 fiscal years, respectively.

11. FISCAL AGENT

The Academy entered into a service agreement with ACE Charter School Services from November 4, 2005 to July 30, 2007 to serve as the Chief Fiscal Officer of the Academy. This contract was terminated July 30, 2007 and subsequent fiscal services agreements were entered into with Venice Group on August 1, 2007 and then All About Learning, Inc. on January 9, 2008. Total payments to ACE Charter School Services, Venice Group, and All About Learning, Inc. for fiscal services during fiscal year 2008 were $20,601, $7,500, and $25,000 respectively

As Chief Fiscal Officer, All about Learning will perform the following services:

- Oversee custody of all funds received by The Chase Academy for which has treasury responsibilities.
- Oversee all accounts of the same (see above)
- Oversee all financial records of the same and follow procedures for receiving and expending of funds. Procedures shall require that the Treasurer disburse monies only upon receipt of a signed voucher or requisition by the Board President or Chief Administrative Officer of the same schools.
- Prepare all financial reports for board meetings and ensure all reporting to The Ohio Department of Education, The Ohio Auditor of State, and all government entities in the course of doing business as an Ohio Community School.
- Invest funds for the school as set forth by the Ohio Revised Code, and advise the governing board on any and all situations relative to the financial enhancement of the school.
- Work with the same school or their designee to ensure appropriate reporting of enrollment, EMIS, and CSADM and report to the board material changes that might impact the financial position of the school.

12. OPERATING LEASES – LESSEE DISCLOSURE

On August 13, 2007, the Academy renewed an operating lease agreement for one year with Traveler's Community Development Corp. to lease space to house the Academy. Rental payment rates were $12,500 a month for a total payment of $150,000 for the fiscal year.

On March 14, 2008, the Academy signed a 10 year building lease with Charter School Property Services, LLC – a Nevada Limited Liability Company beginning July 1, 2008. The facility is 24,000 square feet and the Academy plans to be moved in for the 2008-2009 school year. Monthly lease payments are detailed in the lease agreement with the first year's base rate set at $11.50 per square foot, which is $23,000 per month and $276,000 per year. In addition to base rent, the Academy is to pay Tenant Improvement Amortization charges on the loan described in Note 6 and one-twelfth of the annual real estate or property taxes each month. Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2009	$ 276,000
2010	284,400
2011	292,800
2012	301,680
2013	310,800
2014-2018	1,619,440
	$ 3,085,120

Total rent expense for the year ending June 30, 2008 was $ 150,000

13. PURCHASED SERVICES

For the year ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

PURCHASED SERVICES		
Professional and Technical Services	$	176,486
Property Services		152,474
Travel Mileage/Meeting Expense		816
Communications		5,331
Transportation		64,330
Other Purchased Services		740
Total Purchased Services	$	400,177

14. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the Academy at June 30, 2008.

B. State Funding

The Ohio Department of Education conducts reviews over 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 Academy does not anticipate any material adjustment for fiscal year 2008 as a result of such reviews.

15. RELATED PARTY TRANSACTIONS

The Academy entered into a contract to utilize Diversified Community Services, Inc. The CEO of the company, Fred Borger was also a Board member for the Academy at the time of the contract approval. The Academy paid the company $103,097 for transportation services, $104,799 for student food service programs, and $2,268 for painting services during fiscal year 2008. Mr. Borger is no longer a Board member of the Academy effective July 1, 2006, but has served on the finance committee beginning October 11, 2006.

16. MANAGEMENT PLAN

The Academy had a change in net assets of 76,619 and net assets of (76,601) at fiscal year end 2008. The Academy also had a cash balance of $42,845. Moreover, the academy was able to utilize said funding toward the acquisition of a new facility that will enhance the growth and academic prosperity of the school.

The administration and the Board of directors for Chase Academy for Communication Arts are continuing to develop and implement programs that will generate additional revenues necessary for the continued financial viability of the school. It is our goal to acquire the reserve funds necessary incase state funds are decrease for any reason throughout the fiscal year. To that end the school has developed the following policies to ensure financial solvency in the coming years.

The Academy's Board of Directors and Administration will:

- Identity expenditures that should be eliminated, due to duplication of services.
- Budget reviews will be performed on a monthly basis to ensure proper budget controls.
- Partnerships will be developed to provide enrollment of special needs students.
- Hourly staff personal hours will be reviewed to determine if such staff positions need to be converted to salary positions or eliminated altogether.
- Partnerships will be developed with grant writing organizations and even other schools to develop programs that will attract new students and additional funding for the school.
- Review salary increases and base salaries and enact a policy where base salaries are lowered and bonuses are given based on enrollment and student performance.
- Eliminate overhead by adopting a multi-task, multi-responsibility and multi-accountability process.

17. SPONSOR

The Academy was approved for operation under a contract with Educational Resource Consultants of Ohio, Inc. (the Sponsor) for a period of three academic years commencing April 3, 2008 and ending June 30, 2010. As part of this contract, the Sponsor is entitled to a maximum of three percent of all revenues. Total amount due and paid for fiscal year 2008 was $8,063.

The Academy was previously approved and operated under a contract with Buckeye Community Hope Foundation (the Sponsor) which ended April 2, 2008. As part of this contract, the Sponsor was entitled to a maximum of one percent of all revenues. Total amount due and paid for fiscal year 2008 was $29,814.

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Mary Taylor, CPA
Auditor of State

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

Chase Academy for Communication Arts
Franklin County
1565 Integrity Drive
Columbus, Ohio 43215

To the Board of Directors:

We have audited the financial statements of Chase Academy for Communication Arts, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2008, and have issued our report thereon dated May 4, 2009, wherein we noted the Academy experienced certain financial difficulties. We also noted the Academy has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2008-006 through 2008-008 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings numbers 2008-007 and 2008-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated May 4, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter May 4, 2009.

We intend this report solely for the information and use of management, the finance committee, the Board of Directors, and the Educational Resource Consultants of Ohio, Inc. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 4, 2009

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

Finding Number	2008-001

Proper Public Purpose – Noncompliance Finding / Finding for Recovery

Ohio Revised Code Section 149.351 states, in part, that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions.”

The Academy expended public funds in the amount of $846 to various vendors that did not have supporting documentation for the expenditures. The Board did not issue prior approval for these expenditures demonstrating what public purpose such expenditures served.

Without appropriate documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy’s finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

During this period, the Academy contracted with three fiscal agents for Treasurer services. Harris Computer ACE Charter School Services, with Stephen Sites designated as Treasurer (July 1 – July 30, 2007), Venice Group Inc., with Tom Schaefer designated as Treasurer (July 31, 2007 - January 9, 2008), and All About Learning, Inc., with Franklin Carter designated as Treasurer (January 10, 2008 to current).

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against: Celia Jones, Executive Director, and against Tom Schaefer of Venice Group Inc., Treasurer Services in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, jointly and severally, for $605 (of which $531 was repaid under audit); and against Celia Jones, Executive Director, and Stephen Sites of Harris Computer ACE Charter School Services, Treasurer Services, in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, and Hartford Fire Insurance Co., Steven Sites bonding company, jointly and severally, for $241 (of which $241 was repaid under audit), all in favor of the Academy’s General Fund.

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

Finding Number	**2008-001 (Continued)**

We recommend the Academy ensure proper supporting documentation is retained to evidence all expenditures made and ensure the accuracy of the financial statement presentation. Such documentation should be received and approved by those with appropriate authority prior to expenditure and should be maintained along with the expenditures to evidence the details of the goods or services purchased. Such documentation should also be reviewed by the Board during monthly review of financial reports and expenditures to ensure the proper recording and classification of expenditures.

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

- The permissiveness of various expenditure types or classifications to the Academy as a whole;
- Dollar limitations on the expenditure of funds for certain expenditure types or classifications;
- Restrictions on expenditures for specific types of Academy programs or activities;
- The allowability of certain expenditure types or classifications in regard to federal programs;
- Designation regarding the appropriate uses of, allowable types of, dollar limitations to, and types of documentation that must be maintained for student and teacher incentives.

Finding Number	**2008-002**

Payroll Expenditures – Noncompliance Finding / Finding for Recovery

Twenty-seven percent of payroll disbursements tested were not paid in accordance with the employee's rate of pay per their employment contract or Board approved pay raise resolution for the 2007-2008 school year.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the employees listed in the chart below, individually, in the corresponding dollar amounts:

Employee Name		**Finding Amount**
Ami Gaus		$172
Jeff Kiser		258
Mandy Stevens		114
Mark Chapman		1,634
	Total	$2,178

During this period, the Academy contracted with three fiscal agents for Treasurer services. Harris Computer ACE Charter School Services, with Stephen Sites designated as Treasurer (July 1 – July 30, 2007), Venice Group Inc., with Tom Schaefer designated as Treasurer (July 31, 2007 - January 9, 2008), and All About Learning, Inc., with Franklin Carter designated as Treasurer (January 10, 2008 to current).

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

Finding Number	**2008-002 (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Celia Jones, Executive Director, and Stephen Sites of Harris Computer ACE Charter School Services, Treasurer Services, in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, and Hartford Fire Insurance Co., Steven Sites bonding company, will be jointly and severally liable in the amount of $128; Celia Jones, Executive Director, and against Tom Schaefer of Venice Group Inc., Treasurer Services in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, will be jointly and severally liable in the amount of $946; and Celia Jones, Executive Director, and Franklin Carter of All About Learning, Treasurer Services, in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, will be jointly and severally liable in the amount of $1,104, all in favor of the Academy's General Fund to the extent that recovery is not obtained from those individuals listed above.

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

Finding Number	**2008-003**

Treasurer Bonding – Noncompliance Finding

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

The Academy's Treasurer representatives, Tom Schaefer, who was assigned by the Venice Group Inc. and Franklin Carter, who was assigned by All About Learning Services through their contracts, which became effective July 31, 2007 and January 10, 2008 respectively, were not bonded for the Academy. Failure to bond the Treasurer may result in the Academy being exposed to liabilities of theft or error by the Academy's Treasurer in the event of a loss from the occurrence of such. $2,947 of findings for recovery were not covered by an executed bond for fiscal year 2008.

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

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

Finding Number	2008-004

Federal Awards Schedule –Noncompliance Finding

To ensure consistency of application, the Ohio Department of Education considers all chief financial officers of educational entities, including but not limited to, non-profit corporations, colleges and universities to be similarly situated to treasurers of school districts. Additionally, as community schools discharge functions in a similar manner as school districts and community schools are considered local education agencies, as defined in 34 CFR parts 76 and 77, chief financial officers of community schools are treated as if they were treasurers of a traditional public school district.

34 CFR § 80.20(A) requires a State and its subgrantees to expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Ohio Rev. Code § 5705.09 requires a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Federal awards should be placed into and tracked in separate funds and within the funds, separate cost centers should be utilized to distinguish federal funds between grant years. Entities receiving federal funding must prepare annually a Federal Award Receipts and Expenditures Schedule (the Federal Schedule) in accordance with OMB Circular A- 133 Section __.310 (b) to accurately reflect all federal funding received and expended during each fiscal year, by program type and program year.

For fiscal year 2008, the Academy reported $244,822 of Federal award monies received and $245,002 of Federal award monies expended on the Federal Awards Receipts and Expenditures Schedule, whereas the Academy actually received $241,682 of Federal awards and expended $187,862 resulting in the below identified errors as a result of misidentification of documented federal receipts and expenditures.

	Reported	Actual	Variance
CFDA# 10.553 National School Breakfast Program:			
- Receipts	$0	$26,615	$26,615
- Expenditures	0	26,615	26,615
CFDA# 10.555 National School Lunch:			
- Receipts	99,756	69,822	(29,934)
- Expenditures	99,756	69,822	(29,934)
CFDA# 84.010 Title I			
- Expenditures	101,397	54,260	(47,137)
CFDA# 84.298 Title V			
- Expenditures	393	350	(43)
CFDA# 84.186 Title IV-A			
- Expenditures	2,166	0	(2,166)
CFDA# 84.367 Title II-A			
- Expenditures	4,474	0	(4,474)

We recommend the Academy ensure proper reporting of federal awards receipts and expenditures schedule, including the proper amount of federal receipts and expenditures; federal agency; pass-through entity name and number (where applicable); and the Catalog of Federal Domestic Assistance (CFDA) number.

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

Finding Number	2008-005

Final Expenditure Reports – Noncompliance Finding

To ensure consistency of application, the Ohio Department of Education considers all chief financial officers of educational entities, including but not limited to, non-profit corporations, colleges and universities to be similarly situated to treasurers of school districts. Additionally, as community schools discharge functions in a similar manner as school districts and community schools are considered local education agencies, as defined in 34 CFR parts 76 and 77, chief financial officers of community schools are treated as if they were treasurers of a traditional public school district.

Ohio Department of Education (ODE) Comprehensive Continuous Improvement Plan (CCIP) assurance #6 states that the subgrantee will make reports to ODE and to the department as may reasonably be necessary to enable ODE and department to perform their duties. The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and/or the department and shall be supported by appropriate documentation.

Final expenditure reports submitted by the Academy reported greater expenditures on the Final Expenditure Report than were evidenced as made as follows:

Grant Name	CFDA Number	Expenditure Amount Reported	Actual Expenditure Amount	Variance
Title I	84.010	$101,397	$54,260	($47,137)
Title V	84.298	393	350	(43)
Title IV-A	84.186	2,166	0	(2,166)
Title II-A	84.367	4,474	0	(4,474)
Totals		$108,430	$54,610	$53,820

Failure to report accurate expenditures on the Final Expenditure Report significantly inhibits the monitoring of the grantor agency and results in draw downs or reimbursements for costs greater than those expended on allowable grant activities.

We recommend the Academy report actual cash basis expenditures recorded to the respective federal funds on the cash basis to ODE.

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

Finding Number	2008-006

Reimbursements for Breakfasts, Lunches, and After School Snacks – Noncompliance Finding / Significant Deficiency

7 C.F.R. Section 210.7(c)(1)(iii) requires that all claims for reimbursements be based on accurate counts for lunches and meal supplements and correctly identify the number of free, reduced price and paid lunches served to eligible children. 7 C.F.R. Section 220.11(b), pertaining to reimbursements for breakfasts served, requires that the Claim for Reimbursement for any month shall include only breakfasts served in that month, except if the first or last month of Program operations for any year contains 10 operating days or less, such month may be added to the Claim for Reimbursement for the appropriate adjacent month.

The meal supplements for which the Academy received reimbursements consisted of after school snacks. 42 U.S.C. Section 1766-(r) requires that reimbursement for after-school snacks only be made available to school food service authorities which (1) operate the NSLP in one or more of their schools and (2) sponsor or operate after-school care programs with an educational or enrichment purpose.

The Academy contracts with Diversified Community Care, Inc. (Diversified) to provide food services and transportation services. Diversified is also a related party of the Academy, as described further in Note 13 to the Financial Statements. Diversified provided the Academy teachers with daily count sheets to record the number of children in attendance, the meal counts by eligibility category of free, reduced price, or full price, and amounts paid. The daily count sheets were improperly completed, due to missing and incomplete notations of payments and meals served, to the extent that it was impossible to recalculate the meal counts and amounts paid due to the lack of sufficient documentation. We were therefore unable to ascertain the completeness and accuracy for the meal counts the Academy submitted to the State for reimbursement and amount of receipts received.

The Academy was unable to provide evidence to demonstrate that it had an after school program with an educational or enrichment purpose throughout the period which supplement (i.e. after school snacks) reimbursements were claimed. In addition, no documentation was maintained to support the number of supplements claimed by the Academy. The amount of after school snacks claimed by the Academy were all claimed under the free category of reimbursement and made to equal to total lunches claimed for three months of the fiscal year and were higher than the total lunches served for six months of the fiscal year.

As a result, the Academy received reimbursements of $26,615 for the School Breakfast program and $69,822 for the School Lunch Program, of which $12,910 was for after school snacks based on inaccurate and unsupported meal and meal supplement counts.

We recommend the Academy develop procedures to properly document the number of lunches, breakfasts and after school snacks served and receipts collected by students. After school snacks should only be claimed for reimbursement during the time the Academy is sponsoring or operating an after-school care program with an educational or enrichment purpose. In addition, the Academy should train employees on applicable procedures and monitor the process regularly. Since the Academy allows their meal service provider to complete and submit their claim forms to the Ohio Department of Education, we further suggest the Academy monitor the claim forms and compare them to their documentation to ensure accuracy of the claims presented by Diversified on behalf of Chase Academy.

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

Finding Number	2008-007

Financial Reporting – Significant Deficiency / Material Weakness

Sound financial reporting is the responsibility of the Academy's management and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments/reclassifications were made to the financial statements and, where applicable, to the Academy's accounting records:

1. Adjustment to properly state the Academy's actual cash receipt and expenditure amounts totaling $187,034.
2. Adjustment to record a liability of a loan from a lessor of $145,000 and an additional adjustment to record the capital asset of leasehold improvements paid by the lessor that was the purpose of the loan for $145,000.
3. Adjustment to remove an inappropriately recognized Prepaid Asset of $111,608.
4. Adjustment to record unrecorded Accounts Payable of $52,594.
5. Adjustment to records STRS and SERS payables as an Intergovernmental Payable of $23,954.

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the Academy and were not posted to the Academy's financial statements.

- Liabilities are understated by $9,807.
- Net Assets are overstated by $9,807.
- Revenues are understated by $1,295.
- Expenses are overstated by $11,102.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Academy develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Academy and thereby increasing the reliability of the financial data throughout the year. We also recommend the Academy implement additional procedures over the completeness and accuracy of financial information reported within the Academy's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

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

Finding Number	2008-008

Segregation of Duties – Significant Deficiency / Material Weakness

Control activities and duties should be segregated to allow for a system of checks and balances within an organization. During fiscal year 2007, the Academy approved a purchasing policy that states all equipment, goods and services are to be purchased through the Board of Directors. However, the policy further delegates the authority for purchasing of textbooks, materials, classroom supplies, student activities and enrichment activities to the Executive Director.

During fiscal year 2008, the Executive Director executed many significant operational duties for the Academy including drafting and approving purchase requisitions, reimbursements (including her own), and the majority of the Academy expenditures. The Executive Director also wrote and issued manual checks and made debit card purchases without independent approval. The results of these duties were rarely presented to the Board and documentation of Board review or approval was not present.

The lack of segregation of duties increases the risk that the Academy's funds could be misappropriated or fraudulent activity could occur and go undetected by management. In addition, lack of segregation allows for errors perpetuated by the Executive Director to have no system of checks and balances to identify and correct unrecorded expenditures, contracts, and miscoded expenditures with the financial statements.

We recommend the Board take a more active role in approving the purchases and contracts. A more active role by the Board allows for segregation of duties which enhance an organization's ability to properly safeguard assets. We further recommend the Board revise its purchasing policy so as not to delegate all authorization and execution authority to the same individual for such a significant portion of the Academy's financial transactions. Expenditures involving reimbursements to the Executive Director should also be authorized by the Board.

CHASE ACADEMY FOR THE COMMUNICATION ARTS
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Proper public purpose – ORC 117.28 – Finding for Recovery for expending funds to vendors with no supporting documentation to validate a proper public purpose	No	Reissued as Finding 2008-001
2007-002	Reimbursements – ORC 117.28 – Finding for Recovery for reimbursing employees for expenses that had no supporting documentation to validate a proper public purpose	Yes	
2007-003	Allowable Costs/Cost Principles violation of 2 C.F.R. Part 225 Appendix A Section C3	No	Partially Corrected - Reissued in Management Letter
2007-004	Improper reimbursements based on student meal counts - 7 C.F.R. Section 210.7(c)(1)(iii)	No	Reissued as Finding 2008-006
2007-005	Unrecorded and Undeposited Food Service Receipts - ORC 9.38 – Academy did not record or deposit all food service receipts timely.	No	Finding No Longer Valid
2007-006	Overcharge of Reduced Price Lunches - 7 C.F.R. Section 245.2 – Academy overcharged student reduced price lunches	Yes	
2007-007	Federal Expenditures - OMB Circular A- 133 Section __.310 (b) for inaccurate federal schedule and 34 C.F.R. Section 74.28 for expenditures outside the period of availability	No	Partially Corrected - Reissued as Finding 2008-004
2007-008	School Treasurer's Bond – OAC 117-6-07 – Fiscal officer must execute a bond	No	Reissued as Finding 2008-003

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008
(Continued)

2007-009	Payroll Expenditures – ORC 117.28 – finding for recovery for payroll disbursements were not in accordance with employee's rate of pay per their contract	No	Reissued as Finding 2008-002
2007-010	Annual report filing - ORC 117.38 – Academy did not file annual financial report to the Auditor of State	No	Partially Corrected - Reissued in Management Letter
2007-011	Five Year Forecast - ORC 5705.391 inaccurate assumptions and projections with forecast	No	Partially Corrected - Reissued in Management Letter
2007-012	Financial Reporting - Control deficiencies reflective of audit adjustments required made to the financial statements.	No	Reissued as Finding 2008-007
2007-013	SAS70 Report Harris Computers ACE Charter School Services – no SAS 70 over significant accounting function	Yes	Finding No Longer Valid
2007-014	Board Monitoring – Board review and approval of financial reports.	Yes	
2007-015	Segregation of duties – Exec. Director was responsible for many significant operational duties for the Academy	No	Reissued as Finding 2008-008
2007-016	Bank to Book Reconciliation – inaccurate and incomplete bank reconciliations	Yes	
2007-017	Employee vs. Independent Contractor Status – Academy has not followed IRS Publication 15(a) for identification of Employee vs. Independent contractor status	No	Partially Corrected - Reissued in Management Letter
2007-018	Reimbursement policy – Academy should update and follow their reimbursement policy	No	Partially Corrected - Reissued in Management Letter
2007-019	Debit Card Policy – Academy should update and follow their debit reimbursement policy	No	Partially Corrected - Reissued in Management Letter

Mary Taylor, CPA
Auditor of State

CHASE ACADEMY FOR COMMUNICATION ARTS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 18, 2009

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