



**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Educational Resource Consultants of Ohio, Inc.
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the financial statement of Chase Academy for Communication Arts, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

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* require us to obtain written representations from management as part of our audit. Management has not provided the Auditor of State written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

The Academy did not maintain supporting documentation for student full-time equivalencies reported to the Ohio Department of Education (ODE); (the full-time equivalencies are used by ODE to calculate the Academy's State Foundation Settlement payments for the amounts shown as Foundation Payment revenue of \$1,326,274 on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets.

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 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.

Since we were unable to obtain written representations and evidence regarding the accuracy of the Academy's Foundation Payment revenue of \$1,326,274 on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets described above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements referred to above for the year ended June 30, 2009.

As noted in Note 14, the Academy suspended operations for financial reasons on February 25, 2010 and closed operations on June 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010 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.

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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 24, 2010

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 2009. 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 \$163,757, a decrease of \$61,521 from the prior year which was due to decreases in both current and non-current assets, principally a decrease in cash on hand and depreciation expense.
- Total liabilities were \$242,814 consisting of accounts payable, wages and benefits payable, intergovernmental payable, and long term liabilities for a leasehold improvement loan.
- Total net assets reflected a deficit balance of (\$79,057), a decrease of \$2,456 from the prior year deficit of (\$76,601).

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 a 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.

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Table 1 provides a summary of the Academy's net assets for fiscal year 2009 compared to fiscal year 2008:

Table 1		
Net Assets		
	2009	2008
Assets		
Current Assets	\$ 11,905	\$ 56,766
Capital Assets, net	151,852	168,512
Total Assets	\$ 163,757	\$ 225,278
Liabilities		
Current Liabilities	\$ 195,314	\$ 156,879
Long Term Liabilities	47,500	145,000
	242,814	301,879
Net Assets		
Invested in Capital Assets	\$ 104,352	\$ 23,512
Restricted	8,565	-
Unrestricted	(191,974)	(100,113)
Total Net Assets	\$ (79,057)	\$ (76,601)

Total assets decreased by \$61,521 from the prior year as a result of the Academy's decrease in current assets and capital assets, principally a decrease in cash on hand and depreciation expense with capital assets. Liabilities decreased \$59,065 from the prior year, primarily the result of payment towards long term debt obligations.

Table 2 shows the changes in net assets for fiscal year 2009 as compared to fiscal year 2008:

Table 2		
Change in Net Assets		
	2009	2008
Revenues		
Operating Revenues:		
Foundation Payments	\$ 1,326,274	\$ 1,190,910
Food Service	3,505	8,294
Extracurricular	2,305	2,268
Other Operating Revenues	19,559	19,668
Non-Operating Revenues:		
Federal and State Grants	296,941	235,695
Total Revenues	1,648,584	1,456,835
Expenses		
Operating Expenses		
Salaries	640,342	524,362
Fringe Benefits	195,838	270,314
Purchased Services	652,820	400,177
Materials and Supplies	61,117	103,098
Depreciation	27,077	13,195
Other Expenses	70,512	68,970
Non-Operating Expenses:		
Interest and Fiscal Charges	3,334	-
Total Expenses	1,651,040	1,380,116
Change in Net Assets	\$ (2,456)	\$ 76,719

CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

There was an increase in revenues of \$191,749 or 13.2% from fiscal year 2008. Enrollment of the Academy increased from the prior year causing both an increase in state foundation payments of \$135,364 and an increase in federal and state subsidies of \$61,246. Community Schools receive no support from tax revenues; State foundation payments are the primary support for the Academy representing 80.4% of total revenues.

Correspondingly, the Academy had an increase in expenses of \$270,924 or 19.6%. Salaries and Benefits are the primary expense of the Academy, representing 50.6% of total expenses. As a result of the increase in enrollment, the Academy increased employees and hours generating an increase in wage expense of \$115,980 or 22.1%. Purchased services also increased \$252,643 or 63.1% due to increased rent on the Academy's new building and transportation, food, and other services required for additional students in attendance.

Capital Assets

At the end of fiscal year 2009 the Academy had \$151,852 (net of accumulated depreciation) in capital assets. Table 3 shows fiscal year 2009 balances compared to fiscal year 2008:

Capital Asset at June 30 (Net of Depreciation)		
	2009	2008
Computer and Software	\$ 1,395	\$ -
Furniture, Fixtures, and Equipment	\$ 16,372	\$ 16,342
Vehicles	3,585	7,170
Leasehold Improvement	130,500	145,000
Totals	\$ 151,852	\$ 168,512

The decrease in capital assets was principally due to depreciation expense on assets. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

The Academy had Long Term Liabilities of \$47,500 at June 30, 2009 that is the result of a loan from the lessor on the Academy's building lease for leasehold improvements. For more information on debt, see Note 6 to the basic financial statements.

Current Financial Issues

On February 25, 2010, the Academy's Board of Directors suspended operations of the school due to financial distress of the Academy. On May 26, 2010 the Academy's Board of Directors closed the Academy, effective June 1, 2010 upon the ratification of the closure to the Ohio Department of Education by the Academy's Sponsor, Educational Resource Consultants of Ohio, Inc.. See Note 14 to the basic financial statements.

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 Franklin Carter, Treasurer of Chase Academy, located at 600 Delaware Avenue, Elyria, Ohio, 44035.

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**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

Assets

Current Assets

Cash	\$ 8,905
Receivable - Accounts	3,000
Total Current Assets	<u>11,905</u>

Non-Current Assets

Capital assets (Net of Accumulated Depreciation)	<u>151,852</u>
Total Assets	<u><u>\$ 163,757</u></u>

Liabilities and Fund Equity

Current Liabilities

Accounts Payable	\$ 90,819
Accrued Wages & Benefits	81,336
Intergovernmental Payable	23,159
Total Current Liabilities	<u>195,314</u>
Long Term Liabilities	
Due within One Year	<u>47,500</u>
Total Liabilities	<u><u>242,814</u></u>

Net Assets

Invested in Capital Assets, Net of Related Debt	104,352
Restricted for Other Purposes	8,565
Unrestricted	<u>(191,974)</u>
Total Net Assets	<u><u>\$ (79,057)</u></u>

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, 2009**

Operating Revenues	
Foundation Payments	\$ 1,326,274
Food Service	3,505
Extracurricular	2,305
Other Operating Revenues	19,559
Total Operating Revenues	<u>1,351,643</u>
 Operating Expenses	
Salaries & Wages	640,342
Fringe Benefits	195,838
Purchased Services	652,820
Materials & Supplies	61,117
Depreciation	27,077
Miscellaneous	70,512
Total Operating Expenses	<u>1,647,706</u>
 Operating Loss	 (296,063)
 Non-Operating Revenues and (Expenses)	
State subsidies	5,000
Federal subsidies	291,941
Interest Expense	(3,334)
Total Non-Operating Revenues	<u>293,607</u>
 Change in Net Assets	 (2,456)
 Net Deficit Assets Beginning of Year	 (76,601)
Net Deficit Assets End of Year	<u><u>\$ (79,057)</u></u>

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, 2009**

Cash Flows from Operating Activities

Cash received from Foundation Payments	\$ 1,326,274
Cash received from Food Service Revenues	3,505
Cash received from Extracurricular Revenues	2,305
Cash received from Other Operating Revenues	16,559
Cash payments for Personal Services	(821,712)
Cash payments for Contract Services	(639,739)
Cash payments for Supplies and Materials	(40,705)
Cash payments for Miscellaneous	(80,038)
Net Cash Used for Operating Activities	<u>(233,551)</u>

Cash Flows from Noncapital Financing Activities:

Cash from Federal & State Subsidies	<u>310,862</u>
Net Cash Provided by Noncapital Financing Activities	<u>310,862</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(10,417)
Principal payments on Capital Debt	(97,500)
Interest payments on Capital Debt	(3,334)
Net Cash Used for Capital and Related Financing Activities	<u>(111,251)</u>

Net decrease in Cash and Cash Equivalents :	(33,940)
Cash and cash equivalents at beginning of year	<u>42,845</u>
Cash and cash equivalents at end of year	<u>\$ 8,905</u>

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

Operating Loss	\$ (296,063)
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**Adjustments to Reconcile Operating Loss to Net
Cash Used for Operating Activities:**

Depreciation	27,077
Changes in Assets and Liabilities:	
Accounts Receivable	(3,000)
Accounts Payable	25,025
Wages Payable	14,205
Intergovernmental Payable	(795)
Total Adjustments	<u>62,512</u>

Net Cash Used for Operating Activities:	<u>\$ (233,551)</u>
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The accompanying Notes are an integral part of the Financial Statements

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**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

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 fiscal year 2009, the Academy's sponsor was Educational Resource Consultants of Ohio, Inc. (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 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 16 certificated personnel and 9 classified staff who provide services to 188 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.

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 Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activity.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(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 school located in the State of Ohio, community schools are not required to follow budgetary provisions 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 2009 sponsor, Educational Resource Consultants of Ohio, does prescribe a budgetary process for the Academy.

E. Cash and Cash Equivalents

During fiscal year 2009, all monies received by the Academy were accounted for by the Academy's fiscal agent, All About Learning, Inc. 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 2009.

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. At June 30, 2009 the Academy did not have any prepaid obligations.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

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 life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
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 the 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 2009 totaled \$1,623,215.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2009:

Accrued Wages and Benefits Payable – a liability has been recognized at June 30, 2009 for salary payments made after year end that were for services rendered in fiscal year 2009 (\$80,173) and Medicare (\$1,163).

Intergovernmental payable – unpaid retirement contributions to STRS Ohio (\$16,825) and SERS Ohio (\$6,334) 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 \$47,500 in debt related to capital assets leasehold improvements. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS

At June 30, 2008, the carrying amount of all Academy deposits was \$8,905. 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 \$8,905 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.

4. RECEIVABLES

Receivables at June 30, 2009 consisted of accounts receivable arising from rental revenue, as summarized below. All receivables are considered collectible in full.

<u>Receivables</u>	<u>Amount</u>
Accounts	\$ 3,000
	<u>\$ 3,000</u>

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance 06/30/08	Additions	Deductions	Balance 06/30/09
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 43,890	\$ 8,325	\$ -	\$ 52,215
Computers	27,087	2,092		29,179
Vehicles	17,925	-		17,925
Leasehold Improvements	158,000	-	13,000	145,000
Total Capital Assets				
Being Depreciated	246,902	10,417	13,000	244,319
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	\$ (27,548)	\$ (8,295)	\$ -	\$ (35,843)
Computers	(27,087)	(697)		(27,784)
Vehicles	(10,755)	(3,585)		(14,340)
Leasehold Improvements	(13,000)	(14,500)	(13,000)	(14,500)
Total Accumulated Depreciation	(78,390)	(27,077)	(13,000)	(92,467)
Capital Assets, Net of A/D	\$ 168,512	\$ (16,660)	\$ -	\$ 151,852

6. LONG TERM LIABILITIES

Debt outstanding at June 30, 2009 is \$47,500. 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 paid \$97,500 during fiscal year 2009 with the balance payable in fiscal year 2010. The Academy will owe interest in the amount of \$7,600 during fiscal year 2010.

7. 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 2009, 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 11).

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.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

7. RISK MANAGEMENT (CONTINUED)

C. Other Employee Benefits

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

8. 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 2009, 9.09 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, 2009, 2008 and 2007 were \$12,353, \$19,465 and \$22,891 respectively; 59.5 percent has been contributed for fiscal years 2009 and 100 percent for years 2008 and 2007.

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.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$75,469, \$86,267, and \$113,400 respectively; 92.6 percent has been contributed for fiscal year 2009 and 100 percent for 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, 2009, no employees have elected social security.

9. 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.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS (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 2009, 4.16 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 2009, 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, 2009, 2008, and 2007 were \$3,671, \$8,883, and \$5,428 respectively; 59.5 percent has been contributed for fiscal years 2009 and 100 percent for years 2008 and 2007

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2009 was \$662, 59.5 percent has been contributed for fiscal year 2009.

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 2009, 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, 2009, 2008, and 2007 were \$7,547, \$6,636, and \$8,153 respectively; 92.6 percent has been contributed for fiscal year 2009 and 100 percent for years 2007 and 2006.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

10. FISCAL AGENT

The Academy entered into a service agreement with All About Learning, Inc. for fiscal services on January 9, 2008. Total payments for fiscal services during the fiscal year were \$40,200.

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

Oversee custody of all funds received by the Chase Academy for which it has treasury responsibilities

Oversee all accounts of same

Oversee all financial records of the same and follow procedures for receiving and expending of funds. Procedures shall require 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 Academy.

11. OPERATING LEASES – LESSEE DISCLOSURE

On March 14, 2008, the Academy signed a 10 year building lease with Charter School Property Services, LLC – a Nevada Limited Liability Company with rent commencing upon occupation. The facility is 24,000 square feet and the Academy was 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. For 2010 the minimum lease payment is \$189,600.

As disclosed in note 14, the Academy suspended operations on February 25th, 2010 and subsequently voided the remaining lease of the building.

Total rent expense for the year ending June 30, 2009 was \$225,692.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

12. PURCHASED SERVICES

For the year ended June 30, 2009, purchased service expenses were payments for services rendered by various vendors, as follows:

PURCHASED SERVICES	
Professional and Technical Services	\$ 234,705
Property Services	318,260
Travel Mileage/Meeting Expense	2,646
Communications	7,590
Transportation	9,325
Other Purchased Services	80,294
Total Purchased Services	<u>\$ 652,820</u>

13. 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, 2009.

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 did not retain sufficient records to support the enrollment and foundation funding received. As a result a disclaimer of opinion on the Academy's financial statements was issued, in addition to a noncompliance citation with Ohio Rev. Code Section 3314.17(C).

14. SUSPENSION/CLOSURE OF OPERATIONS / SUBSEQUENT EVENT

On February 25, 2010, the Academy's Board of Directors suspended operations of the school due to financial distress of the Academy. On May 26, 2010 the Academy's Board of Directors closed the Academy, effective June 1, 2010 upon the ratification of the closure to the Ohio Department of Education by the Academy's Sponsor, Educational Resource Consultants of Ohio, Inc..



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

Educational Resource Consultants of Ohio, Inc.
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the financial statements of Chase Academy for Communication Arts, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, and have issued our report thereon dated June 24, 2010, in which we disclaimed an opinion upon the financial statements because we were unable to obtain written representations and evidence regarding the accuracy of the Academy's Foundation Payment revenue of \$1,326,274 on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets. We also noted the Academy's Board voted to suspend operations for financial reasons on February 25, 2010 and closed operations on June 1, 2010. We further 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 or through the county auditor of the county in which the local public office is located.

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 2009-004 through 2009-008 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 number 2009-006 and 2009-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated June 24, 2010.

Compliance and Other Matters

To the extent possible, 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 2009-001 through 2009-006.

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 June 24, 2010.

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



Mary Taylor, CPA
Auditor of State

June 24, 2010

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2009-001
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Proper Public Purpose – Noncompliance Finding / Finding for Recovery

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy expended public funds in the amount of \$1,634 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 the fiscal agent, All About Learning, Inc. for treasurer services, with Franklin Carter designated as Treasurer, for \$3,000 per month. However, during the period, the Academy paid All About Learning twice in April 2009, and \$1,200 for a corrective action plan that was not included in the contract, nor Board approved to pay the agency for the services.

Also During this period, the Academy had two Executive Directors. Celia Jones was the Executive Director from the beginning of the fiscal year through March 2009, and thereafter, Arthur Williamson assumed the role of Interim Director from April 2009 until the end of the fiscal year.

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 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: All About Learning, Inc., with Franklin Carter, Treasurer, acting as Treasurer for \$4,200; Celia Jones, Executive Director, and against Franklin Carter of All About Learning, Inc. in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, jointly and severally, for \$1,184; and against Arthur Williamson, Interim Executive Director and Franklin Carter of All About Learning, Inc. in their supervisory capacities for assuring that all such payments are in accordance with Academy policy, jointly and severally, for \$450, all in favor of the Academy.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2009-001 (Continued)
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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	2009-002
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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 representative, Franklin Carter, who was assigned by the All About Learning Services through their contract was not bonded for the Academy until June 24, 2009. Thus the Treasurer was not bonded for all but 6 days in the fiscal year. 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. All of the \$1,635 of findings for recovery were not covered by an executed bond for fiscal year 2009.

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

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2009-003
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Sponsor Annual Evaluation Reports – Noncompliance Finding

Ohio Rev. Code Section 3314.03(D)(2) & (3) state that the sponsor of a community school shall monitor and evaluate the academic and fiscal performance and the organization and operation of the community school on at least an annual basis. In addition, the Sponsor must report the results of the annual evaluation to the Department of Education (ODE), as well as to the parents of students attending the community school.

Chase Academy's sponsor, Educational Resource Consultants of Ohio (ERCO), performed and submitted the required annual evaluation of the Academy. However, during fiscal year 2009 the Academy was experiencing negative financial trends, including insufficient funds to meet future operating expenses, and had 5 year forecast projections based on assumptions that did not illustrate how past results and future expectations were reflected in the forecasted amounts that were not noted in the sponsor's annual report.

Failure to include these fiscal performance measures in the sponsor's report of the Academy results in an inability for proper evaluation and monitoring by the Ohio Department of Education.

We recommend the Academy provide adequate records to the sponsor allowing the sponsor to fully evaluate the Academy's academic and fiscal performance of the organization. We further recommend the sponsor analyze financial trends and include negative financial trends and forecasts in the sponsor's annual report.

Finding Number	2009-004
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Minute Record – Noncompliance Finding / Significant Deficiency

Ohio Revised Code Section 149.43(B) states that all public records shall be promptly prepared and made available to any person at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection.

Additionally, Ohio Revised Code Section 121.22(C) states the minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

The Board of Director's minute records did not always include all information pertaining to official action taken by the Board. Additionally, the Academy could not provide Board minute records for meetings in the months of August 2008, November 2008, and June 2009, as well as an emergency meeting in December 2008, and two Board meetings in February 2009. Furthermore, during the May 22, 2009 meeting the Board moved into executive session without stating the subject matter of discussion.

These conditions lead to unsubstantiated, unclear, and possibly inaccurate official actions and approvals enacted by the Board of Directors, which may further lead to an inability to determine the classification, existence, completeness, and valuation of cash receipts and disbursements, in addition to related receivables and liabilities.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2009-004 (Continued)
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Minute Record – Noncompliance Finding / Significant Deficiency (Continued)

We recommend the Board of Directors document all pertinent information pertaining to official Board actions in the minutes. We further recommend the minutes be properly stored for public inspection and that subject reasoning be provided in the minutes for all executive sessions that the Board enters into.

Finding Number	2009-005
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Reimbursements for Breakfasts and Lunches – 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.

In fiscal year 2009, the Academy contracted with Himes Vending, Inc. to provide food services and transportation services. 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.

As a result, the Academy received reimbursements of \$32,049 for the School Breakfast program and \$59,617 for the School Lunch Program based on inaccurate and unsupported meal and meal supplement counts.

We recommend the Academy develop procedures to properly document the number of lunches and breakfasts served and receipts collected by students. In addition, the Academy should train employees on the procedures and monitor the process regularly. We further suggest the Academy monitor the claim forms and compare them to their documentation to ensure accuracy of the claims.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2009-006
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Student Enrollment Records – Noncompliance Citation / Material Weakness

The Ohio Rev. Code Section 3314.17(C) states that each fiscal officer appointed under section 3314.011 of the Revised Code is responsible for annually reporting the community school’s data under section 3301.0714 of the Revised Code. Ohio Rev. Code Section 3301.0714(B)(1)(c)-(l) & (n) requires the following data must be reported to the Ohio Department of Education:

- Average student grades in each subject in grades nine through twelve
- Academic achievement levels as assessed by the testing of student achievement
- The number of students designated as having a disabling condition
- The numbers of students reported to the state board
- Attendance rates and the average daily attendance for the year
- Expulsion, Suspension, Graduation and Dropout rates
- The percentage of students receiving corporal punishment
- Rates of retention in grade

The Board of Education and Treasurer were responsible for ensuring the aforementioned student information was updated to the Ohio Department of Education’s (ODE’s) Community School Average Daily Membership (CSADM) and Education Management Information System (EMIS) databases. For the year ended June 30, 2009, Chase Academy failed to maintain student files for all students.

Because of the lack of documentation, we were unable to ascertain the following:

- An accurate average daily membership count
- The resident district of students
- The enrollment and withdrawal dates of students
- The age of students
- The grade level of students, as well as rates of graduation, expulsion, suspension, and dropout

Since most State and Federal grants and entitlements are based on student attendance and socioeconomic status of students, the accuracy of funding received could not be ascertained. For the Academy this resulted in \$1,326,274 of 2009 foundation receipts, which could not be verified that resulted in a disclaimer of opinion.

We recommend the Academy develop procedures to properly document the number of student attendance and properly input the amounts into the CSADM and EMIS databases. In addition, the Academy should train employees on the procedures and monitor the process regularly.

**CHASE ACADEMY FOR COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2009-007
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Segregation of Duties – 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 2009, the Executive Directors executed many significant operational duties for the Academy including drafting and approving purchase requisitions, reimbursements (including self reimbursements), and the majority of the Academy expenditures. The Executive Directors 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 and monitor financial activity. We further recommend the Board consider their 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 COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2009-008
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Financial Reporting – Significant Deficiency

Sound financial reporting is the responsibility of the Academy’s management and Board and is essential to help 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. Reclassification of \$47,500 of Invested in Capital Assets, Net of Related Debt to Unrestricted Equity due to debt not having been applied to the Invested in Capital Assets, Net of Related Debt calculation.
2. Reclassification of overstated debt payment from Principal Payments on Capital Debt of \$13,333 and Interest Payments of \$4,666 to Purchased Service Expense of \$17,999. The results of which resulted in an adjustment to increase Long Term Liabilities Due Within 1 Year by \$13,333 offset by the Principal Payment on Capital Debt expense.
3. Reclassification of Unrestricted Equity to Restricted for Other Purposes for \$8,565.
4. Understated Accounts payable of \$25,994 offset by the following expenses: Benefits by \$1,724; Purchased Services by \$22,270; and Other Expenses by \$2,000.

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.

- Adjustment to decrease Foundation Revenues and Miscellaneous Expenses by \$33,954 due to overstated foundation revenue adjustments.
- Reclassification of Foundation Revenues to State Subsidies for \$5,087 and to Federal Subsidies for \$1,146.
- Reclassification of Miscellaneous Expense to Salaries and Wages Expense for \$6,750.

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.

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

**CHASE ACADEMY FOR THE COMMUNICATION ARTS
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	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	Not Corrected - Reissued as Finding 2009-001
2008-002	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	Partially Corrected - Reissued in Management Letter
2008-003	School Treasurer's Bond – OAC 117-6-07 – Fiscal officer must execute a bond	No	Not Corrected - Reissued as Finding 2009-002
2008-004	Federal Expenditures - OMB Circular A- 133 Section __.310 (b) for inaccurate federal schedule	No	Partially Corrected – Reissued in Management Letter
2008-005	Final Expenditure Reports - 34 CFR 76 and 77 for inaccurate final expenditure reporting	No	Not Corrected – Reissued in Management Letter
2008-006	Improper reimbursements based on student meal counts - 7 C.F.R. Section 210.7(c)(1)(iii)	No	Not Corrected - Reissued as Finding 2009-005
2008-007	Financial Reporting - Control deficiencies reflective of audit adjustments required made to the financial statements.	No	Not Corrected - Reissued as Finding 2009-008
2008-008	Segregation of duties – Exec. Director was responsible for many significant operational duties for the Academy	No	Not Corrected – Reissued as Finding 2009-007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Educational Resource Consultants of Ohio, Inc.
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 6, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on Academy property or at Academy-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that Academy personnel report prohibited incidents of which they are aware to the Academy principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the Academy administration semiannually provide the president of the Academy board a written summary of all reported incidents and post the summary on its web site, if the Academy has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

June 24, 2010



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 12, 2010**