PHOENIX VILLAGE ACADEMY - PRIMARY 1
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

PHOENIX VILLAGE ACADEMY – PRIMARY 1
SUMMIT COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Village Academy – Primary 1
Summit County
c/o Ashe Culture Center, Inc.
2125 Superior Avenue
Cleveland, Ohio 44114

To the Board of Trustees:

We were engaged to audit the accompanying basic financial statements of the Phoenix Village Academy – Primary 1, Summit 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.

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 inquire with the Academy's legal counsel concerning litigation, claims, and assessments. The Academy's legal counsel has not responded to our inquiries.

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the $50,766 of equipment and furniture capital assets net of depreciation recorded in the accompanying statement of net assets and the $10,072 of related depreciation expense recorded in the statement of revenues, expenses, and changes in net assets and statement of cash flows for the year ended June 30, 2008. Due to our inability to obtain assurance on the amount recorded as capital assets, we are also unable to obtain assurance as to the $50,766 recorded as Invested in Capital Assets, Net of Related Debt. We were unable to satisfy ourselves regarding capital assets net of depreciation, depreciation expense, and Invested in Capital Assets Net of Related Debt amounts by other auditing procedures.

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 State Aid revenue of $377,250 on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets.

Net assets at July 1, 2007 of $26,258 did not equal the audited net assets at June 30, 2007 of negative ($12,528). We were unable to obtain sufficient evidence to substantiate which was the correct beginning balance.

The Statement of Cash Flows reported net cash used for operating activities of $33,536 while the reconciliation of operating loss to net cash used for operating activities was ($5,250). We were unable to obtain sufficient evidence to substantiate an accurate Statement of Cash Flows.

Since the School did not provide the evidence described in paragraphs two through six above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the financial activity of the School for the year ended June 30, 2008.

As described in Note 14, the Sponsor suspended operations of the Academy effective December 18, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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. Because of the lack of evidence described in paragraphs two through six above, we were unable to apply 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 27, 2010

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

The discussion and analysis of the Phoenix Village Academy Primary 1 (the Academy) financial performance provides an overall review 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

Financial Highlights

- In total, net assets were $25,994 for the fiscal year ended June 30, 2008.
- Total assets were $78,712.
- Liabilities were $52,718.
- Total revenues were $377,250 and total expenses were $377,514 for the year.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during the fiscal year ended June 30, 2008. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for the fiscal year ended June 30, 2008 and the period September 14, 2006 to June 30, 2007.

(Table 1)
Statement of Net Assets

	2008	2007
Assets		
Current Assets	$27,946	$21,176
Capital Assets, Net	50,766	27,072
Total Assets	$78,712	$48,248
Liabilities		
Current Liabilities	$52,718	$60,776
Net Assets		
Investment in Capital Assets	$50,766	$27,072
Unrestricted	(24,772)	(39,600)
Total Net Assets	$25,994	($12,528)

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 and the period September 14, 2006 to June 30, 2007, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

(Table 2)
Change in Net Assets

		2008	2007
Operating Revenues			
State Aid		$377,250	$253,546
Local Aid		0	250
Non-Operating Revenue			
Federal Aid		0	155,805
Miscellaneous		0	7
	Total Revenues	377,250	409,608
Operating Expenses			
Purchased Services		201,278	289,161
Materials & Supplies		1,394	43,078
Salaries & Wages		142,623	65,528
Fringe Benefits		14,974	15,328
Employer Payroll Taxes		5,511	3,572
Depreciation		10,072	3,994
Miscellaneous		1,662	1,411
	Total Expenses	377,514	422,072
Change in Net Assets		($264)	($12,464)

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process.

Capital Assets

At the end of the fiscal year ended June 30, 2008 the Academy had $50,766, invested in Equipment and Furniture, net of depreciation.

For more information on capital assets, see Note 4 in the Notes to the Basic Financial Statements.

Debt Activity

During the period September 14, 2006 through January 30, 2007, the Academy's payroll and fringe benefit expenditures of $36,489 were paid for by Phoenix Village Academy - Primary 2 and the Academy repaid Phoenix Village Academy – Primary 2 $20,000. During the fiscal year ended June 30, 2008, the Academy borrowed an additional $6,800 from Phoenix Village Academy – Secondary 1. The remaining balance of $23,289 is reflected as a short term loan payable on the Statement of Net Assets.

Current Financial Issues

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

The main challenge is the state economy. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Contacting the Academy's Financial Management

This financial report is designed to provide 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 Edward Dudley, Sr., CPA, Fiscal Officer for the Phoenix Village Academy - Primary 1, 676 Brook Hollow, Gahanna, OH 43230 or e-mail at dudleye_l@msn.com.

PHOENIX VILLAGE ACADEMY PRIMARY 1
SUMMIT COUNTY

STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	
Current assets	
Cash and Cash Equivalents	$ 9,746
Short Term Loan Receivable	18,200
Total current assets	27,946
Non-current assets	
Capital assets, net of accumulated depreciation	50,766
Total assets	$ 78,712
LIABILITIES & NET ASSETS	
Current liabilities	
Accounts payable	$ 10,050
Short Term Loan Payable	23,289
Intergovernmental Payable	19,379
Total current liabilities	52,718
Net assets	
Invested in capital assets	50,766
Unrestricted	(24,772)
Total net assets	25,994
Total liabilities and net assets	$ 78,712

The accompanying notes to the financial statements are an integral part of this statement.

PHOENIX VILLAGE ACADEMY PRIMARY 1
SUMMIT COUNTY

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

Operating revenues	
State Aid	$ 377,250
Total operating revenues	377,250
Operating expenses	
Purchased services	201,278
Materials & Supplies	1,394
Salaries & Wages	142,623
Fringe Benefits	14,974
Employer Payroll Taxes	5,511
Depreciation	10,072
Miscellaneous	1,662
Total operating expenses	377,514
Operating (loss)	(264)
Net assets at beginning of year	26,258
Net assets at end of year	$ 25,994

The accompanying notes to the financial statements are an integral part of this statement.

PHOENIX VILLAGE ACADEMY PRIMARY 1
SUMMIT COUNTY

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

Increase (decrease) in cash	
Cash flows from operating activities	
Cash from the State of Ohio	$ 377,250
Cash from other governments	6,800
Cash payments to suppliers for goods and services	(267,941)
Cash payments for personal service	(75,573)
Cash payments to other governments	(7,000)
Net cash (used for) operating activities	33,536
Cash flows from capital and related financing activities	
Capital expenses	(33,766)
Net decrease in cash	(230)
Cash at beginning of year	9,976
Cash at end of year	$ 9,746
Reconciliation of operating (loss) to net cash	
(used for) operating activities:	
Operating (loss)	$ (264)
Adjustments to reconcile operating (loss)	
to net cash (used for) operating activities:	
Depreciation	10,072
Change in assets and liabilities:	
(Increase) in assets:	
Loan receivable	(7,000)
Increase in liabilities:	
Accounts payable	(3,553)
Loan Payable	6,800
Intergovernmental Payable	(11,305)
Total adjustments	(4,986)
Net cash (used for) operating activities	$ (5,250)

The accompanying notes to the financial statements are an integral part of the statement.

This page intentionally left blank.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Phoenix Village Academy Primary 1 (the Academy) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through sixth grade. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy has entered into a management contract with Greater Educational Services Centers, LLP, for most of its functions.

The Academy signed a contract with the Ashe Culture Center (the Sponsor), to operate for a period from June 30, 2006 through April 14, 2009.

The Academy operates under the direction of a five-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board also operates Phoenix Village Academy - Primary 2 and Phoenix Village Academy - Secondary 1 in the City of Cleveland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process. However, Ohio Rev. Code Section 3314.03(A)(11)(d) requires the Academy to comply with section 5705.391(A) of the Ohio Rev. Code, which requires the Academy to prepare a five year projections of revenues and expenses.

D. Cash and Cash Equivalents

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

E. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, which is reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Assets. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Amounts received under the above programs for the fiscal year ended June 30, 2008 totaled $377,250.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets and Depreciation

For purposes of recording capital assets, the Academy has a capitalization threshold of $1,000. Expenditures for repairs and maintenance are expensed when incurred. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year.

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation of $50,766. Depreciation is computed by the straight-line method over seven years for equipment and furniture.

Aside from the assets mentioned above, the Academy has no other capital assets, as the Academy has entered into an operating lease for classroom space.

G. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation, and unrestricted net assets.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the Academy's primary activities. For the Academy, these revenues are primarily State Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all Academy deposits was $9,746. 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 $10,331 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. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of June 30, 2008, the Academy had no investments.

4. CAPITAL ASSETS AND DEPRECIATION

For the fiscal year ended June 30, 2008, the Academy's capital assets consisted of the following:

Capital Assets Being Depreciated:	Balance 06/30/07	Additions	Deletions	Balance 6/30/08
Equipment and Furniture	$ 31,066	$33,766	$ -	$64,832
Total Capital Assets Being Depreciated	31,066	33,766	-	64,832
Less Accumulated Depreciation:				
Equipment and Furniture	(3,994)	(10,072)	-	(14,066)
Total Accumulated Depreciation	(3,994)	(10,072)	-	(14,066)
Total Capital Assets Being Depreciated Net	$ 27,072	$ 23,694	$ -	$ 50,766

5. LOANS RECEIVABLE

The Fiscal Officer of the Academy is also the Fiscal Officer of Phoenix Village Academy - Primary 2 and Phoenix Village Academy - Secondary 1. During the period September 14, 2006 to June 30, 2007, the Fiscal Officer loaned $6,200 to Phoenix Village Academy - Primary 2 and $5,000 to Phoenix Village Academy - Secondary 1. During the fiscal year ended June 30, 2008, the Fiscal Officer loaned an additional $7,000 to Phoenix Village Academy – Secondary 1. None of the amounts have been repaid and the total of $18,200 is recognized as a Short Term Loan Receivable on the Statement of Net Assets.

6. NOTE PAYABLE

During the period September 14, 2006 through January 30, 2007, the Academy's payroll and fringe benefit expenses of $36,489 were paid for by Phoenix Village Academy – Primary 2 and the Academy repaid Phoenix Village Academy – Primary 2 $20,000. During the fiscal year ended June 30, 2008 an additional $6,800 was loaned from Phoenix Village Academy – Primary 2. The remaining balance of $23,289 is reflected as a short term loan payable on the Statement of Net Assets.

7. RISK MANAGEMENT

Property and Liability - The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Contrary to Ohio Rev. code Section 3314.03(A)(11)(B), the Academy did not contract for property and general liability insurance during the fiscal year ended June 30, 2008.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

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 June 30, 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, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for fiscal year ended June 30, 2008 and for the period September 14, 2006 to June 30, 2007 were $8,792 and $4,416, respectively; of which 100% has been contributed.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio website 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 member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DB Plan and the DC 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

8. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For fiscal year 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. 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 contribution for pension obligations to STRS Ohio for fiscal year ended June 30, 2008 and for the period September 14, 2006 to June 30, 2007 were $10,187 and $10,559, respectively; of which 100% has been contributed.

9. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For 2008, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled $728 for fiscal year ended June 30, 2008 and $812 for the period September 14, 2006 to June 30, 2007 of which 100% has been contributed for both years.

For SERS, 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.

9. POSTEMPLOYMENT BENEFITS (Continued)

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 year ended June 30, 2008 and the period September 14, 2006 to June 30, 2007 were $2,625 and $1,373, respectively; 100 percent has been contributed.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 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 and the period September 14, 2006 to June 30, 2007 were $414 and $208, respectively; 100 percent has been contributed.

10. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

B. Pending Litigation

The Academy is party to a legal proceeding seeking damages generally incidental to its operations. The matter was resolved subsequent to year end, through a negotiated settlement. The original claim was for $133,000 against two other academies and this Academy. A settlement of $50,000 was offered, but as of the date of this report, a payment schedule has not been accepted by the Plaintiffs. The Academy's management is of the opinion this settlement will not have a material effect on the financial condition of the Academy, since the Sponsor suspended operations of the Academy on December 18, 2008, management is of the opinion the Academy will not be liable for any of the settlement.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy did have a review for the period September 14, 2006 through June 30, 2007 which resulted in $30,684 being owed to the Ohio Department of Education. During the fiscal year ended June 30, 2008 $11,305 was repaid. The remaining balance of $19,379 is reported as an "intergovernmental payable" on the financial statements for the fiscal year ended June 30, 2008.

11. SPONSORSHIP FEES

The Academy contracted with Ashe Culture Center Inc. as its sponsor effective June 30, 2006. The Academy pays the Sponsor three percent of the State Aid. Total fees for the fiscal year ended June 30, 2008 were $9,924. The contract is for three years ending April 14, 2009. The Sponsor is to provide oversight, monitoring and technical assistance for the Academy.

12. TAX EXEMPT STATUS

The Academy has filed for status as an exempt organization under Internal Revenue Code Section 501(c)(3). As of June 30, 2008, the Internal Revenue Service has not yet granted this exemption. Should the Academy fail to obtain federal tax-exempt status, it will be subject to federal income tax, the effect of which has not been determined.

13. RELATED PARTY TRANSACTIONS

Financial Accounting Standards Board (FASB) 57: "Related Party Disclosures", requires any transactions that occurred between related parties be disclosed. The following is a list of the related party transactions that occurred:

- The Academy paid $13,994 including $9,924 for sponsorship fees to Ashe Culture Center, Inc. to purchase computers and other technology equipment; refine the school program design; conduct staff development; purchase furniture, office equipment, etc. The wife and daughter of the CEO of Ashe Culture Center, Inc. served on the Board of Trustees of the Academy. In addition, the wife of the CEO of Ashe Culture Center, Inc. was the COO/CFO of Ashe Culture Center, Inc.

- The Academy paid $3,603 to Exceptional Psychological Services which is owned by a member of the Board of Trustees and the wife of the CEO of Ashe Culture Center, Inc. for various services within her areas of expertise and credentials.

14. SUBSEQUENT EVENTS

On December 18, 2008, the Sponsor suspended operations due to a decline in enrollment.

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*

Phoenix Village Academy – Primary 1
Summit County
c/o Ashe Culture Center, Inc.
2125 Superior Avenue
Cleveland, Ohio 44114

To the Board of Trustees:

We were engaged to audit the financial statements of Phoenix Village Academy – Primary 1, Summit County, Ohio, (the Academy) for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2010, in which we disclaimed an opinion upon the financial statements because we were unable to obtain sufficient evidence regarding the rights and obligations of the Academy's Foundation payment revenue of $377,250 or the completeness and accuracy of capital assets net of depreciation, depreciation expense, invested in capital assets net of related debt, beginning net assets, the statement of cash flows, and the Academy's legal counsel failed to respond to our inquiries concerning litigation claims and assessments. We also noted the Sponsor suspended operations of the Academy effective December 18, 2008. 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 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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2008-001 through 2008-003, 2008-005, 2008-007, and 2008-009 described in the accompanying schedule of findings to be material weaknesses.

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 2008-001 through 2008-008.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated October 27, 2010.

We intend this report solely for the information and use of management, the Board of Trustees, Ashe Culture Center, and others within the Academy. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 27, 2010

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER 2008-001

Material Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(D)(4)(c) requires capital asset records to include such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The Academy's total recorded capital assets amounted to $50,766, net of accumulated depreciation; however, the Academy did not maintain required capital asset records to substantiate the amount.

Without maintaining accurate and complete records of capital assets purchased it is possible the assets of the Academy could be misplaced or stolen and not reported.

To maintain adequate safeguards over capital assets and to reduce the risk the Academy's assets may be misstated, we recommend management develop and implement procedures to be performed throughout the year for the recording and updating of capital assets, including an individual listing of items purchased with federal funds. These procedures should include tagging all capital assets meeting the established capitalization threshold. Further, addition and disposal forms should be completed and approved by management when assets are acquired and retired. This information should then be entered into the capital asset accounting system and include such information as the tag number, location of the asset, description of the item, cost, acquisition date, and any other pertinent information. Periodic physical inventories should be performed, and the capital assets listed on the accounting system should be compared to the items on hand and any discrepancies should be investigated.

The Fiscal Officer should maintain required capital asset records as indicated above. This will help ensure capital assets are adequately reported within the financial statements.

FINDING NUMBER 2008-002

Material Noncompliance/Material Weakness

Developing and Implementing an Effective Monitoring Control System

Ohio Admin. Code Section 117-2-01-(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C)(5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls which the Academy failed to implement include:

- Regular review of monthly financial statements;
- Review of grantor agency reports for compliance with grantor requirements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

The lack of effective monitoring controls has lead to the misallocation or misstatement of School funds, expenditure of funds contrary to the directives of the governing board and non-compliance with federal or state laws or regulations. (See Finding Numbers 2008-003, 2008-008, and 2008-009) This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations.

We recommend management prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure any reports required by the grantor agencies, per the terms of grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

FINDING NUMBER 2008-003

Material Noncompliance/Material Weakness

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 any 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.

During our testing of non-payroll expenditures, we noted 20 out of 92 transactions tested totaling $80,929 had no supporting documentation as noted below:

- $60,626 paid to the lessor of property utilized by the school. Although the Board was aware of the amount being paid, there was no support to document the payments were made in accordance with the lease agreement which required a calculation based on student attendance.

- $11,500 re-paid to other community schools for short-term loans; however, no support was maintained regarding these loans and repayment.

- $5,000 paid to the former lessor of property utilized by the school. Although this amount was in accordance with the lease agreement, there was no detail invoice to support the amount.

- $3,000 paid to the Treasurer. Although this amount was in accordance with his contract, there was no detail invoice to support the amount.

- $803 paid to employees for expense reimbursement and non-employee compensation for contracted services. Although the Board was aware of the amount being paid, there was no support to document the amount paid.

The Academy's failure to maintain original supporting documentation for expenditures could result in a loss of accountability over the Academy's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose. However, we performed alternate procedures to determine the proper public purpose of these expenses.

We recommend the Academy not expend public monies unless the original supporting documentation is attached to attest to the authenticity and validity of the expense.

The Academy should develop policies and procedures outlining the security of all records. All records should be maintained in a secure central location. This will help ensure records are not lost or destroyed.

FINDING NUMBER 2008-004

Material Noncompliance

Ohio Rev. Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest. **Ohio Rev. Code Section 102.03(D)** prohibits a public official from authorizing or using the authority or influence of office or employment, to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official with respect to that person's duties.

Additionally, **Ohio Rev. Code Section 2921.42(A)(4)** states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The following issues were noted during our audit of the June 30, 2008 Financial Statements:

- Dr. Kwa David Whitaker is the Chief Executive Officer of Ashe Culture Center, Inc. Ashe Culture Center, Inc. is the sponsor for the Academy. Dr. Jorethia L. Chuck is the wife of Dr. Kwa David Whitaker and served on the Board of Trustees of the Academy during the audit period. Ashe Culture Center, Inc. was paid a total of $13,994. These checks were co-signed by Dr. Jorethia L. Chuck.

- Exceptional Psychological Services is owned by Dr. Jorethia L. Chuck, who served on the Board of Trustees of the Academy. Exceptional Psychological Services was paid $3,603 while Dr. Chuck served on the Board of Trustees. Additionally, Dr. Jorethia L. Chuck co-signed a check for $511 for reimbursements of food for a board meeting and classified advertisements which was made out to her name.

- L.E.D. Consulting, Inc., the Academy's consultant made a $1,700 short term loan to the Academy, which the Academy later repaid.

This matter will be referred to the Ohio Ethics Commission for their review.

FINDING NUMBER 2008-005

Material Noncompliance/Material Weakness

Ohio Revised Code section 3313.64(J) states the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report of the names of each child who attended the district's schools under divisions (C)(2) and (3) of this section or section 3313.65 of the Revised Code during the preceding six calendar months, the duration of the attendance of those children, the school district responsible for tuition on behalf of the child, and any other information that the superintendent requires. Furthermore, **Ohio Revised Code section 3314.08** states the governing authority of each community school established under this chapter is to annually report all of the following:

1. The number of students enrolled in grades one through twelve and the number of students enrolled in kindergarten in the school who are not receiving special education and related services pursuant to an IEP;

2. The number of enrolled students in grades one through twelve and the number of enrolled students in kindergarten, who are receiving special education and related services pursuant to an IEP;

3. The number of students reported under division (B)(2)(b) of this section receiving special education and related services pursuant to an IEP for a disability described in each of divisions (A) to (F) of section 3317.013 of the Revised Code;

4. The full-time equivalent number of students reported under divisions (B)(2)(a) and (b) of this section who are enrolled in vocational education programs or classes described in each of divisions (A) and (B) of section 3317.014 of the Revised Code that are provided by the community school;

5. Twenty per cent of the number of students reported under divisions (B)(2)(a) and (b) of this section who are not reported under division (B)(2)(d) of this section but who are enrolled in vocational education programs or classes described in each of divisions (A) and (B) of section 3317.014 of the Revised Code at a joint vocational school district under a contract between the community school and the joint vocational school district and are entitled to attend school in a city, local, or exempted village school district whose territory is part of the territory of the joint vocational district;

6. The number of enrolled preschool children with disabilities receiving special education services in a state-funded unit;

7. The community school's base formula amount;

8. For each student, the city, exempted village, or local school district in which the student is entitled to attend school;

9. Any poverty-based assistance reduction factor that applies to a school year.

The Academy could not provide attendance sheets documenting the number of students enrolled or withdrawn from the Academy. Therefore, we could not determine compliance with the Ohio Revised Code sections listed above.

Since most State and Federal grants and entitlements are based on student attendance and socioeconomic status of students, we could not ascertain the accuracy of funding received. For the Academy this resulted in $377,250 of 2008 foundation receipts, which could not be verified that resulted in a disclaimer of opinion. In addition, there was no evidence the treasurer filed the required reports with the superintendent of public instruction.

FINDING NUMBER 2008-005 (Continued)

The Academy should maintain all attendance records. This will help ensure compliance with the Ohio Revised Code can be determinable during future audits of the Academy.

FINDING NUMBER 2008-006

Material Noncompliance

- **Ohio Rev. Code Section 3314.03(A)(6)** states, in part, that each contract entered into between a sponsor and the governing authority of a community school shall specify the governing authority must adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student.

  In addition, **Article IV "Responsibilities of the Governing Authority" of the Community School Contract** states, in part, in accordance with Ohio Revised Code Section 3314.03(A)(6), the GOVERNING AUTHORITY agrees to adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in one hundred five (105) consecutive hours of the learning opportunities offered to the student. Such policy shall provide for withdrawing the student by the end of the thirteenth (13^{th}) day after the student failed to participate.

- **Ohio Rev. Code Section 3314.03(A)(19)** states, in part, that each contract entered into between a sponsor and the governing authority of a community school shall specify the governing authority is required to adopt a policy provision regarding the admission of students who reside outside the district in which the school is located. That policy shall comply with the admissions procedures specified in sections 3314.06 and 3314.061 of the Revised Code and, at the sole discretion of the authority, shall do one of the following:

  (a) Prohibit the enrollment of students who reside outside the district in which the school is located;

  (b) Permit the enrollment of students who reside in districts adjacent to the district in which the school is located;

  (c) Permit the enrollment of students who reside in any other district in the state.

  In addition, **Article IV "Responsibilities of the Governing Authority" Section C "Governance and Administrative Plan" of the Community School Contract** states, in part, in accordance with Section 3314.03(A)(19) of the Code, the GOVERNING AUTHORITY agrees to adopt an enrollment policy regarding the admission of students who reside outside the district in which the Community School is located. The policy shall comply with the admissions procedures as specified in Section 3314.06 of the Ohio Revised Code.

- **Ohio Rev. Code Section 3314.03(A)(11)(b)** states, in part, that each contract entered into between a sponsor and the governing authority of a community school shall specify the governing authority will purchase liability insurance, or otherwise provide for the potential liability of the school.

  In addition, **Article IV "Responsibilities of the Governing Authority" of the Community School Contract** states, in part, in accordance with Section 3314.03(A)(11)(B) of the Code, the GOVERNING AUTHORITY agrees to purchase and maintain at its own expense liability and other insurance covering all of the operations of the Community School, and to provide documentation of such insurance to the SPONSOR upon request.

FINDING NUMBER 2008-006 (Continued)

We noted the following exceptions:

- The Board of Trustees did not approve or provide a student attendance policy that covered the period July 1, 2007 through June 30, 2008.

- The Board of Trustees did not approve or provide a student admission policy that covered the period July 1, 2007 through June 30, 2008.

- The Academy did not provide documentation of liability insurance that covered the period July 1, 2007 through June 30, 2008.

We recommend the Board do the following to comply with the requirements noted above:

- Board of Trustees should draft and approve a student attendance policy. This will help ensure the process for adding and withdrawing students is being maintained and followed by the Academy.

- The Board of Trustees should draft and approve a student admission policy. This will help ensure all students enrolled in the Academy are meeting the policy requirements.

- The Academy should maintain liability insurance. This will help ensure the Academy is fully addressing risk management requirements.

FINDING NUMBER 2008-007

Material Noncompliance/Material Weakness

Phoenix Village Academy – Primary 1 Code of Regulations, Article V, Section 4 states in part, the Treasurer shall review preliminary annual budgets with management and assist in presenting the budget to the board for approval. In addition, the Treasurer shall ensure appropriate financial reports are made available to the board on a timely basis.

The Fiscal Officer did not prepare or submit a budget to the Board of Trustees for approval. Without a budget, the Board's ability to make informed financial decisions is reduced. Also, the Board of Trustee Minutes did not indicate the Board of Trustees received any financial reports during the period July 1, 2007 through June 30, 2008. Not reviewing and approving monthly reports demonstrates a lack of fiscal monitoring by the Board of Trustees. Unrecognized errors resulting in misstatements of the Academy's records occurred and were not timely detected as a result of not monitoring the monthly reports. (See Finding Numbers 2008-002 and 2008-009)

A proactive Board of Trustees is an important part of an effective system of internal controls. As an integral part of the internal control structure, the Academy's Board of Trustees should request an annual budget and monthly financial reports and formally recognize in the minutes the acceptance of budget and monthly reports they receive from the Fiscal Officer. Monthly financial reports should include, but not be limited to, monthly cash reconciliations, budget to actual statements, year-to-date receipt, expense, and fund balance reports.

These reports should reflect all activity of the Academy and should be up-to-date. This will increase the Board's awareness of all finance related activity and facilitate their decision making process. During this review, they should determine the adequacy of the budget classifications and ensure all receipts and expenses appear appropriate for the Academy.

FINDING NUMBER 2008-007

By closely reviewing these documents, the Academy's Board of Trustees may be able to detect errors timely, thereby increasing the effectiveness of the internal control structure.

FINDING NUMBER 2008-008

Material Noncompliance

Ohio Rev. Code Section 121.22 (C) states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. In addition, the Phoenix Village Academy – Primary I **Code of Regulations Article III Section 3b**, indicates there shall be a minimum of five regular meetings of the Board each year. Also **Article IV "Responsibilities of the Governing Authority" of the Community School Contract** outlines various duties and responsibilities of the Board.

It is the Board of Trustee's responsibility to oversee the Academy's operation and make decisions to ensure the entity's goals and objectives are complete. The Board minutes represent the official record of the Academy's events and resolutions passed by the Board.

The Board should stay apprised of financial matters throughout the fiscal year. During the audit, we noted the following items:

- Employee salaries and approval to hire employees were not noted in the Board minutes. Therefore, there was no evidence that these salaries were being approved by the Board of Trustees. In addition, employee contracts were not signed by a board member;

- Minutes did not exist to document the Board performed its responsibilities as specifically enumerated in the agreement between the Academy and Sponsor **Article IV "Responsibilities of the Governing Authority" of the Community School Contract**; and

- The Board only met two times during the year.

Failure to oversee the Academy's operations and stay apprised of financial matters increases the chance of theft and other fraudulent activities.

We recommend the Board implement the following procedures to help ensure the directives of the Board are followed:

- All salaries and hiring of employees should be passed by the Board and shown on the Board minutes and maintained by the Academy;

- Take the necessary steps to ensure all provisions of the Sponsor agreement were adhered to; and

- The Board should meet at least five times a year.

FINDING NUMBER 2008-009

Material Weakness

Cash Flow Statement and Basic Financial Statement Format

The beginning net asset amount in the original financial statements presented for audit, $26,258 did not match the ending net asset balance from the prior year audited financial statements, negative ($12,528). In addition, various amounts within the cash flow statement were incorrect. These errors resulted in material misstatement of the financial statements. These issues resulted in a disclaimer of opinion, because we were unable to obtain sufficient evidence to substantiate the balance.

The Academy should take due care to ensure their financial statements are complete and accurately reflect the financial position of the Academy.

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

This page intentionally left blank.

PHOENIX VILLAGE ACADEMY – PRIMARY 1
SUMMIT 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	**Ohio Admin. Code Rule 117-2-02(D)(4)(c)** - The Academy did not maintain detail capital asset records.	No	Not corrected. See Finding Number 2008-001.
2007-002	**Ohio Rev. Code Sections 3314.03(A)(11)(d) and 149.43(B)** - The Academy did not maintain support documentation for various expenditures.	No	Not corrected. See Finding Number 2008-003.
2007-003	**Ohio Rev. Code Sections 2921.42(A)(1) & (4) and 102.03(D)** – Various related party transactions occurred with public officials.	No	Not corrected. See Finding Number 2008-004.
2007-004	**Ohio Rev. Code Section 3314.03(A)(6)** – The Board of Trustees did not approve or provide a student attendance policy.	No	Not corrected. See Finding Number 2008-006.
2007-005	**Ohio Rev. Code Section 3314.03(A)(11)(B)** – The Academy did not provide documentation of liability insurance.	No	Not corrected. See Finding Number 2008-006.
2007-006	**Ohio Rev. Code Section 3314.03(A)(11)(d)** – The Academy did not submit a five year projection to the Ohio Department of Education.	No	Partially corrected. Similar comment included in management letter.
2007-007	**Ohio Rev. Code Section 3314.03(A)(19)** – The Board of Trustees did not approve or provide a student admission policy.	No	Not corrected. See Finding Number 2008-006.

PHOENIX VILLAGE ACADEMY – PRIMARY 1
SUMMIT COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-008	**26 C.F.R. Sections 1.6041-1, -2** – No evidence was provided that forms W-2 and 1099 were not properly completed and filed.	Yes	Finding No Longer Valid.
2007-009	**Ohio Rev. Code Section 3309.49** – Certain School Employees Retirement System contributions were paid late and not withheld properly.	No	Partially corrected. Similar comment included in management letter.
2007-010	**Phoenix Village Academy – Primary 1 Code of Regulations, Article V, Section 4 –** The Fiscal Officer did not prepare of submit a budget to the Board of Trustees for approval.	No	Not Corrected. See Finding Number 2008-007.
2007-011	**Recording of Financial Activity** – Detail of various financial activity was not provided for some amounts entered in lump sum amounts.	Yes	Finding No Longer Valid.
2007-012	**Cash Reconciliation** – Monthly bank reconciliation were not prepared properly and included unresolved differences.	Yes	Finding No Longer Valid.
2007-013	**Interbank Transfers** – Various interbank transfers were made without Board approval.	Yes	Finding No Longer Valid.
2007-014	**Cash Flow Statement and Basic Financial Statement Format** - Various financial statements were not presented in GASB 34 format.	No	Partially corrected. See Finding Number 2008-009
2007-015	**Non-Payroll Expenses** – Numerous errors were noted with non-payroll expenses.	No	Partially corrected. Similar comment included in management letter.
2007-016	**Payroll Testing** – Numerous errors were noted with payroll expenses.	No	Partially corrected. Similar comment included in management letter.
2007-017	**Payroll Processing** – Some payroll was paid by other community schools resulting in improper loans between the schools.	Yes	Finding No Longer Valid.
2007-018	**Capital Asset Policy** – The Academy does not have a Board approved capital asset policy.	No	Not corrected. See Finding Number 2008-001.

Mary Taylor, CPA
Auditor of State

PHOENIX VILLAGE ACADEMY – PRIMARY 1

SUMMIT 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
NOVEMBER 9, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us