PHOENIX ACADEMY
LUCAS COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Dave Yost • Auditor of State

PHOENIX ACADEMY
LUCAS COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Academy
Lucas County
1505 Jefferson Avenue
Toledo, Ohio 43604

To the Governing Board:

We have audited the accompanying basic financial statements of Phoenix Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Academy, Lucas County, Ohio as of June 30, 2011, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

March 19, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of the Phoenix Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. 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

Key financial highlights for 2011 are as follows:

- Net assets were $3,500,988 at June 30 2011.
- The Academy had operating revenues of $5,173,405 and operating expenses of $5,377,430 for fiscal year 2011. The Academy also received $1,232,465 in federal and state grants during fiscal year 2011.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in those assets. 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 causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The table below provides a comparison of the Academy's net assets for fiscal years 2011 and 2010.

Net Assets

	2011	2010
Assets:		
Current assets	$ 2,977,601	$ 2,920,335
Non-current assets	2,263,446	2,175,618
Total assets	5,241,047	5,095,953
Liabilities:		
Current liabilities	1,740,059	2,629,842
Total liabilities	1,740,059	2,629,842
Net assets:		
Invested in capital assets	2,263,446	2,175,618
Restricted	1,186,323	814,678
Unrestricted (deficit)	51,219	(524,185)
Total net assets	$ 3,500,988	$ 2,466,111

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled $3,500,988, of which $1,186,323 is restricted in use.

At fiscal year-end, capital assets represented 43.19% of total assets. Capital assets consisted of buildings and furniture, fixtures and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, were $2,263,446. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total assets increased by $145,094, which represents a 2.85% increase from fiscal year 2010. Cash and cash equivalents decreased by $218,405, and prepaid assets decreased by $57,245, total receivables increased by $332,916. Capital assets increased by $87,828 due to building renovations. Total liabilities decreased by $889,783, which represents a 33.84% decrease from 2010 primarily due to decreased amounts payable to Toledo Public Schools (the Academy's sponsor). The Academy's net assets increased $1,034,877.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The table below provides a comparative analysis of the changes in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	2011	2010
Operating revenues:		
State foundation	$ 4,479,883	$ 4,361,992
Special education	521,431	487,574
Classroom fees	167,085	141,679
Other operating revenues	5,006	50,594
Total operating revenue	5,173,405	5,041,839
Operating expenses:		
Salaries	285,488	136,716
Fringe benefits	46,613	30,918
Purchased services	4,755,781	6,352,302
Materials and supplies	194,755	103,744
Depreciation	82,516	78,256
Other	12,277	83,866
Total operating expenses	5,377,430	6,785,802
Non-operating revenues:		
Federal and state grants	1,232,465	517,039
Interest	6,437	23,368
Total non-operating revenues	1,238,902	540,407
Change in net assets	1,034,877	(1,203,556)
Net assets at beginning of year	2,466,111	3,669,667
Net assets at end of year	$ 3,500,988	$ 2,466,111

The Academy's business-type activities consist of enterprise activity. Community schools receive no support from tax levies.

There was an increase in revenues of $830,061 and a decrease in expenses of $1,408,372 from fiscal year 2010. Of the increase in revenues, foundation payments and special education increased $151,748 and federal and state grant revenue increased by $715,426, primarily due to the Education Jobs grant.

The expense for purchased services decreased $1,596,521 from fiscal year 2010. The Academy owes $1,666,711 to Toledo Public Schools for Sponsor fees, excess balance fees and other purchased services.

Capital Assets

At the end of fiscal year 2011, the Academy had $2,263,446 (net of $202,729 in accumulated depreciation) invested in furniture, equipment and a building. The building was purchased in June 2009. The Academy's asset capitalization minimum is $5,000. The table below shows capital asset balances for fiscal years 2011 and 2010:

Capital Assets at June 30
(Net of Depreciation)

	2011	2010
Building	$ 2,233,879	$ 2,122,210
Furniture, fixtures and equipment	29,567	53,408
Total	$ 2,263,446	$ 2,175,618

Current Financial Related Activities

The Academy was formed in 2003 and is sponsored by the Toledo Public School District. During the 2010-2011 fiscal year, there were approximately 756 students enrolled in the Academy. The Academy receives most of its finances from state aid.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors 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 financial information contact Ms. Rose Butler, Treasurer, Phoenix Academy, 1505 Jefferson Avenue, Toledo, Ohio 43604.

PHOENIX ACADEMY
LUCAS COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

Assets:	
Current Assets:	
Cash and Cash Equivalents	$ 2,360,140
Intergovernmental Receivables	535,758
Prepayments	81,703
Total Current Assets	2,977,601
Non-Current Assets:	
Capital Assets, Net of Accumulated Depreciation	2,263,446
Total Assets	5,241,047
Liabilities:	
Current Liabilities:	
Accounts Payable	8,610
Accounts Payable to Toledo Public Schools	1,666,711
Intergovernmental Payable	64,738
Total Current Liabilities	1,740,059
Net Assets:	
Invested in Capital Assets	2,263,446
Restricted for:	
Restricted for locally funded programs	587,843
Restricted for state programs	10,075
Restricted for federal programs	588,405
Unrestricted Deficit	51,219
Total Net Assets	$ 3,500,988

See Accompanying Notes to the Basic Financial Statements

PHOENIX ACADEMY
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenues:	
Foundation Payments	$ 4,479,883
Special Education	521,431
Classroom Fees	167,085
Other Operating Revenues	5,006
Total Operating Revenues	5,173,405
Operating Expenses:	
Salaries	285,488
Fringe Benefits	46,613
Purchased Services	4,755,781
Materials and Supplies	194,755
Depreciation	82,516
Other Operating Expenses	12,277
Total Operating Expenses	5,377,430
Operating Loss	(204,025)
Non-Operating Revenues:	
Operating Grants - Federal	1,227,465
Operating Grants - State	5,000
Interest	6,437
Total Non-Operating Revenues	1,238,902
Change in Net Assets	1,034,877
Net Assets Beginning of Year	2,466,111
Net Assets End of Year	$ 3,500,988

See Accompanying Notes to the Basic Financial Statements

PHOENIX ACADEMY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Decrease in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 4,974,493
Cash Received from Classroom Fees	167,085
Cash Received from Other Operating Sources	19,006
Cash Payments to Employees for Services	(285,488)
Cash Payments for Employee Benefits	(43,255)
Cash Payments for Purchased Services	(5,515,340)
Cash Payments for Materials and Supplies	(195,508)
Cash Payments for Other Expenses	(24,936)
Net Cash Used for Operating Activities	(903,943)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants and Subsidies	849,445
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(170,344)
Cash Flows from Investing Activities:	
Cash Received from Interest on Investments	6,437
Net Decrease in Cash and Cash Equivalents	(218,405)
Cash and Cash Equivalents at Beginning of Year	2,578,545
Cash and Cash Equivalents at End of Year	$ 2,360,140

(Continued)

PHOENIX ACADEMY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(204,025)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		82,516
Changes in Assets and Liabilities:		
Decrease in Intergovernmental Receivable		50,104
Decrease in Prepayments		57,245
Decrease in Accounts Payable		(39,499)
Decrease in Intergovernmental Payable		(19,290)
Decrease in Accounts Payable to Toledo Public Schools		(830,994)
Total Adjustments		(699,918)
Net Cash Used for Operating Activities	$	(903,943)

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Phoenix Academy, Lucas County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades nine through twelve. The Academy 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under a contract with the Toledo City School District (the "Sponsor") for a period of five academic years commencing September 1, 2003. The Academy has entered a new contract with the Sponsor for three years effective July 1, 2008 through June 30, 2011, with two one year renewal periods at the option of the parties.

The Academy operates under the direction of a five member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 14 non-certified staff members and 27 certified full time teaching personnel who provide services to 756 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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) guidance issued prior to November 30, 1989, provided the guidance does not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply this FASB guidance. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

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. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

NOTE 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, are 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 the eligibility requirements have been satisfied. Eligibility requirements including timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

E. Cash and Cash Equivalents

The Academy's Treasurer accounts for all monies received by the Academy. All cash received by the Treasurer is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

During fiscal year 2011, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). The Academy has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy has maintained a capitalization threshold of $5,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expended when incurred.

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

Description	Estimated Lives
Buildings	40 years
Furniture fixtures and equipment	5 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted include the amounts reserved for locally funded programs, state funded programs and federally funded programs.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Prepaid Items

Payments made to vendors for services that will benefits periods beyond June 30, 2011, 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 fiscal year in which services are consumed.

I. Operating Revenues and Expenses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Foundation and special education revenue received by the Academy during fiscal year 2011 was $5,001,314.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. Federal and State grants for the fiscal year 2011 received by the Academy were $1,232,465.

K. Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the Academy has implemented GASB Statement No. 59, "Financial Instruments Omnibus". GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all Academy deposits was $1,335,317. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, $250,000 of the Academy's bank balance of $1,648,239 was covered by the Federal Deposit Insurance Corporation and $1,398,239 was exposed to custodial credit risk.

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% 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. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

federal requirements could potentially subject the Academy to a successful claim by the FDIC.

B. Investments

As of June 30, 2011, the Academy had the following investments and maturities:

		Investment Maturities
Investment type	Fair Value	6 months or less
STAR Ohio	$ 1,024,823	$ 1,024,823

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2011:

Investment type	Fair Value	% of Total
STAR Ohio	$ 1,024,823	100.00

C. Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of June 30, 2011:

Cash and cash equivalents per note	
Carrying amount of deposits	$ 1,335,317
Investments	1,024,823
Total	$ 2,360,140
Cash and cash equivalents per statement of net assets	$ 2,360,140

NOTE 5 - RECEIVABLES

At June 30, 2011, receivables consisted of intergovernmental grants and entitlements. All receivables are considered collectible within one year.

	Receivable
Education jobs	$ 300,963
Title VI-B	85,617
Title I school improvement	54,252
Title I	94,826
Title IV-A	100
Total	$ 535,758

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	$4,329,783
Property services and rentals	191,239
Travel mileage/meeting expense	18,922
Communications	83,902
Utilities	70,800
Tuition	600
Transportation services	60,535
Total	$4,755,781

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 06/30/10	Additions	Deductions	Balance 06/30/11
Capital assets, being depreciated:				
Building	$ 2,176,626	$ 170,344	$ -	$ 2,346,970
Furniture, fixtures and equipment	119,205	-	-	119,205
Total capital assets, being depreciated	2,295,831	170,344	-	2,466,175
Less: accumulated depreciation				
Building	(54,416)	(58,675)	-	(113,091)
Furniture, fixtures and equipment	(65,797)	(23,841)	-	(89,638)
Total accumulated depreciation	(120,213)	(82,516)	-	(202,729)
Capital assets, net	$ 2,175,618	$ 87,828	$ -	$ 2,263,446

NOTE 8 - MANAGEMENT AGREEMENT

The Academy entered into a contract, effective July 1, 2003, through June 30, 2004, renewable each year up to five years, with Toledo City School District (the "Sponsor") for educational and financial management services. The Academy entered a new contract with the Sponsor for three years effective July 1, 2008 through June 30, 2011, with two one year renewal periods at the option of the parties.

Total expenses paid to the Sponsor were $3,832,978 of which $1,666,711 is recognized as an amount due to the Sponsor at June 30, 2011. The total amount consists of sponsorship fees, which equaled three percent of foundation revenue, of $381,867, annual fees of $992,711, and the remaining was for purchased services.

The annual fee is paid in the subsequent fiscal year totaling an amount equal to 100% of the unencumbered balance of the amount in excess of $500,000 with exceptions detailed in the contract with the Sponsor.

Terms of the contract require the Sponsor to provide the following:

A. All instructional personnel, and support staff, all payroll and inclusion in benefit plans:

B. Transportation for the Academy upon request of the Academy;

C. Reports on Academy operations, finances, and students' performance, upon request of the Academy;

D. Any other function necessary or expedient for the administration of the Academy at the request of the Academy;

E. Detailed, itemized monthly invoices of costs associated with items A-D above.

NOTE 9 - OPERATING LEASES - LESSEE DISCLOSURE

The Academy entered into a lease for the period September 1, 2005 through September 1, 2008 with Joseph Brothers Company, LLC to lease additional space to house the Academy. The lease can be extended and was extended through fiscal year 2011. In fiscal year 2011, expense under the lease for the Academy totaled $21,634 with $5,488 for July, August and September 2011 recorded as a prepaid at June 30, 2011.

The Academy entered into a lease for the period September 19, 2005 through September 19, 2008 with McCord Plaza Development to lease additional space to house the Academy. The lease can be extended and was again extended through fiscal year 2011. In fiscal year 2011, expenses under the lease for the Academy totaled $21,121 with $1,860 for July 2011 being recorded as a prepaid at June 30, 2011.

The Academy entered into a lease for the period of August 25, 2008 through August 2009 with East Toledo Family Center to lease additional space to house the Academy. The lease was extended through 2011. In fiscal year 2011, expenses under the lease for the Academy totaled $36,000.

NOTE 10 - 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 fiscal year 2011, the Academy obtained insurance through broker Hylant Insurance with the following insurance coverage:

Property damage per occurrence	$	2,620,000
General liability coverage:		
Bodily injury and property damage limit		5,000,000
Personal and advertising injury limit		5,000,000
General aggregate limit		7,000,000
Fire damage limit - any one event		500,000
Medical expense - any one person or accident		10,000
Legal liability coverage:		
Errors and omissions injury limit		5,000,000
Aggregate		7,000,000
Fiduciary liability coverage:		
Each fiduciary claim limit		5,000,000
Aggregate		7,000,000
Employers' liability (Ohio stop gap):		
Bodily injury by accident		5,000,000
Bodily injury by disease		5,000,000

There have been no claims paid for the past three fiscal years.

B. Workers' Compensation

The Academy does not pay directly into the State Workers' Compensation System. All employees are contracted through Toledo City School District, which pays the Workers' Compensation System based on their payroll. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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

NOTE 11 - PENSION PLANS – (CONTINUED)

East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *"Media/Financial Reports"*.

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were $9,978, $8,670 and $3,446, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

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 website at www.strsoh.org, under *"Publications".*

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

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.

NOTE 11 - PENSION PLANS – (CONTINUED)

Funding Policy - For fiscal year 2011, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were $344,592, $297,707 and $206,808, respectively; 98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were $276 made by the Academy and $197 made by the plan members.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was $96.40 and SERS' reimbursement to retirees was $45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *"Media/Financial Reports"*.

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was $35,800.

NOTE 12 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were $2,226, $1,305 and $1,878, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $642, $516 and $284, respectively; 100 percent has been contributed for fiscal year 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under *"Publications"* 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 2011, 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, 2011, 2010 and 2009 were $26,507, $22,901 and $7,906, respectively; 98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Most employees of the Academy are employed by the Toledo City School District. Policies and procedures are approved by the Toledo City School District Board of Education and are applied to compensated absences, insurance benefits, and deferred compensation of staff purchased from Toledo City School District by contract.

NOTE 14 – RELATED PARTY TRANSACTIONS

Joan Kuchcinski is a board member of both Polly Fox and Phoenix Academies that are sponsored by Toledo City School District. She is employed by Toledo City School District.

Joan Reasonover was a board member of both Polly Fox and Phoenix Academies that are sponsored by Toledo City School District. She is employed by Toledo City School District. Ms. Reasonover resigned from the Polly Fox and Phoenix Academies' boards on December 31, 2010.

Ms. Kuchcinski and Ms. Reasonover received $1,375 and $500, respectively, in compensation as board members from the Academy.

NOTE 15 - CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of 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. As a result of the review after fiscal year-end, the Academy owed the ODE $45,193. This amount is recorded as an intergovernmental payable on the statement of net assets.

C. Litigation

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

PHOENIX ACADEMY
LUCAS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Ohio Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	$ 145,532	$ 115,469
ARRA - Title I Grants to Local Educational Agencies	84.389	69,999	86,405
Total Title I Cluster:		215,531	201,874
Special Education Cluster:			
Special Education_Grants to States	84.027	141,498	78,205
ARRA - Special Education_Grants to States	84.391	56,361	69,379
Total Special Education Cluster:		197,859	147,584
Safe and Drug-Free Schools and Communities_State Grants	84.186	880	935
Education Technology State Grant	84.318	48	51
Improving Teacher Quality State Grants	84.367	737	
ARRA - State Fiscal Stabilization Fund	84.394	429,390	314,115
Total Federal Awards		**$ 844,445**	**$ 664,559**

The accompanying notes are an integral part of this schedule.

PHOENIX ACADEMY
LUCAS COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Phoenix Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

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

Phoenix Academy
Lucas County
1505 Jefferson Avenue
Toledo, Ohio 43604

To the Governing Board:

We have audited the basic financial statements of Phoenix Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 19, 2012.

We intend this report solely for the information and use of management, the audit committee, the Governing Board, the Academy's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 19, 2012

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Phoenix Academy
Lucas County
1505 Jefferson Avenue
Toledo, Ohio 43604

To the Governing Board:

Compliance

We have audited the compliance of Phoenix Academy, Lucas County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, the Phoenix Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated March 19, 2012.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, the Community School's sponsor, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 19, 2012

PHOENIX ACADEMY
LUCAS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**No**
(d)(1)(vii)	**Major Programs (list):**	**ARRA-State Fiscal Stabilization Fund CFDA# 84.394** **Special Education Cluster** **CFDA# 84.027 and 84.391**
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	**Type A: > $ 300,000** **Type B: all others**
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code §3314.03 (D) states that the contract between the governing authority of a community school and a sponsor shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include, among other requirements the following:

- Monitor the community school's compliance with all laws applicable to the school and with the terms of the contract; and
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the community school on at least an annual basis.

During fiscal year 2011, Toledo Public Schools, in its capacity as a sponsor to Phoenix Academy, failed to monitor Phoenix Academy in accordance with the aforementioned requirements.

The failure to monitor and evaluate compliance on a timely basis could result in Phoenix Academy being noncompliant with applicable laws, and could have poor academic and/or fiscal performance, which could ultimately result in the closure of the Phoenix Academy.

As a sponsor, Toledo Public Schools should institute a system to evaluate legal, educational, and fiscal performance of Phoenix Academy.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

PHOENIX ACADEMY
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2010-001	Ohio Rev. Code § 3314.07 (A) and § 3314.03 (E) – Expiration of contract with Sponsor	Yes	
2010-002	Ohio Rev. Code § 3314.03 (D) – Sponsor's monitoring of community school	No	Not corrected. Reissued as finding 2011-001 in this report.
2010-003	Material Weakness – Posting of transactions and GAAP conversion process	Yes	

This page intentionally left blank.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Phoenix Academy
Lucas County
1505 Jefferson Avenue
Toledo, Ohio 43604

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or 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 school district or community school."

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

1. We noted the School did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

   Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010.

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 Governing Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost
Auditor of State

March 19, 2012

Dave Yost • Auditor of State

PHOENIX ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us