



Dave Yost • Auditor of State

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets at June 30, 2012	7
Statement of Revenues, Expenses and Changes in Fund Net Assets For the Fiscal Year Ended June 30, 2012	8
Statement of Cash Flows For the Fiscal Year Ended June 30, 2012.....	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	22
Schedule of Findings.....	24
Schedule of Prior Audit Findings.....	32
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	34

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Village Academy Secondary 1
Cuyahoga County
12406 Shaker Boulevard
Cleveland, Ohio 44120

To the Board of Trustees:

We have audited the accompanying financial statements of Phoenix Village Academy Secondary 1, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The Academy failed to provide documentation of Due From Schools and Due To Others.

The Academy did not maintain sufficient documentation to support amounts recorded as capital assets.

The Academy also did not maintain documentation to support Defined Benefit Pension Plans and Post-Employment Benefits disclosures or the disclosures related to the items listed in paragraph three through four above.

In our opinion, except for the effect, if any, of adjustments to financial statement amounts or revisions to disclosures that may have been required for the Due From Schools, Due to Others, Capital Assets, the Defined Benefit Pension Plans and Post-Employment Benefit disclosures, described above, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Village Academy Secondary 1, as of June 30, 2012, and the changes in its financial position 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 November 20, 2013, 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.

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.

Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2013

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Our discussion and analysis of Phoenix Village Academy S-1 (PVA S-1) financial performance provides an overall review of PVA S-1's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at PVA S-1's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of PVA S-1's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for PVA S-1 for the 2011-2012 school years are as follows:

- Total assets increased by \$76,744 or 37%.
- Total liabilities increased by \$16,513 or 17%.
- Total net assets increased by \$60,231 or 54%.
- Total operating revenues were \$924,981. Total operating expenses were \$ 997,649.

USING THIS ANNUAL 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 Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect how PVA S-1 did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report PVA S-1's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of PVA S-1 has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include PVA S-1's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

PVA S-1 uses enterprise presentation for all of its activities.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

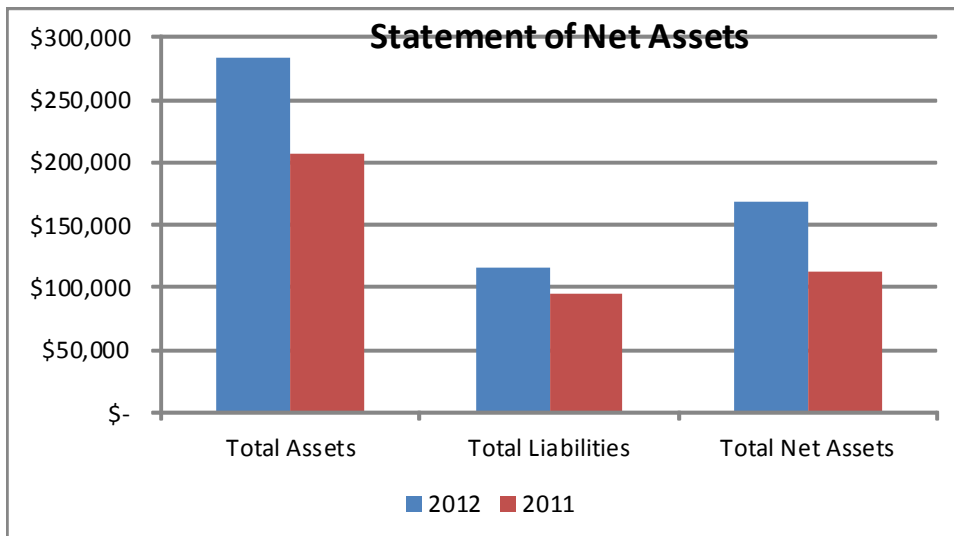
STATEMENT OF NET ASSETS

The Statement of Net Assets answers the question of how PVA S-1 did financially during 2012. 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 resource 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 fiscal years 2012 and 2011.

Statement of Net Assets | Table 1

	2012	2011
Assets		
Current Assets	\$ 256,956	\$ 166,327
Fixed Assets	27,514	41,399
Total Assets	\$ 284,470	\$ 207,726
Liabilities		
Current Liabilities	\$ 112,089	\$ 95,576
Long-Term Liability	50	50
Total Liabilities	\$ 112,139	\$ 95,626
Net Assets		
Investment in Capital Assets, Net of Related Debt	\$ 27,514	\$ 41,399
Unrestricted	141,817	70,701
Total Net Assets	\$ 169,331	\$ 112,100



Net assets increased to \$172,331. Liabilities increased from 2011, by \$16,563. Assets increased by \$76,744 mainly due to a loan made to Phoenix Village Academy Primary 2

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2012 and 2011, 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**

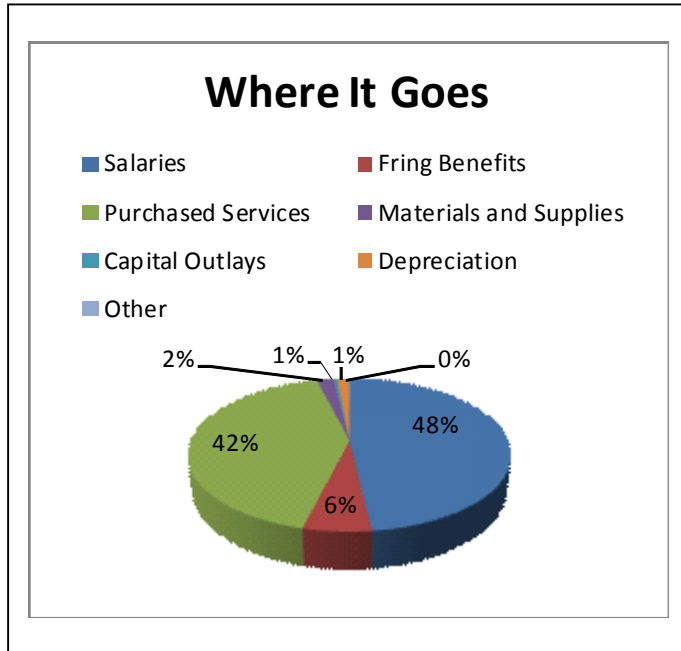
Operating Expenses:		
Salaries	481,786	331,567
Fring Benefits	57,450	101,798
Purchased Services	419,284	275,177
Materials and Supplies	20,627	6,804
Capital Outlays	4,169	2,687
Depreciation	13,885	13,885
Other	446	12,718
Total Operating Expenses	997,648	744,636
 Operating (Loss)	 (72,667)	 (171,643)
 Non-Operating Revenues and (Expenses)		
Grants - Federal & State	132,898	227,101
Total Non-Operating Revenues	132,898	227,101
 Change in Net Assets	 60,230	 55,458
 Net Assets Beginning of Year	 112,100	 56,642
 Net Assets End of Year	 \$ 172,330	 \$ 112,100

Operating revenues increase by \$ 351,988 or 61% from 2011. Operating expenses increased by \$253,013 or 34% from 2011 mainly due to increased enrollment.

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 PVA S-1 and its Sponsor does prescribe a budgetary process. PVA S-1 has developed a one year spending plan and a five-year forecast that is reviewed semi-annual by the Board of Trustees. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education, annually.

CAPITAL ASSETS

PVA S-1 has invested in capital assets, net of accumulated depreciation. Detailed information regarding capital asset activity is included in the Note 4 in the notes to the basic financial statements.

DEBT OBLIGATIONS

PVA S-1 has debt obligations comprised of loans totaling \$3,750 at June 30, 2012. See Note 6 in the basic financial statement for further details.

CONTACTING PVA S-1'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of PVA S-1's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Treasurer Sylvester Monroe, 560 Chadwood Dr. Gahanna, Ohio 43230,(smonroe.treasurer@gmail.com).

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

FINANCIAL STATEMENTS

**Statement of Net Assets
At June 30, 2012**

Assets

Current Assets:

Cash	\$ 1,468
Accounts Receivable	3,470
Short-term Loan to PVA P-2	247,018
Deposits and Escrow	<u>5,000</u>
Total Current Assets	256,956

Capital Assets	<u>27,514</u>
----------------	---------------

Total Assets	<u><u>\$ 284,470</u></u>
--------------	--------------------------

Liabilities

Current Liabilities

Accounts Payable	\$ 29,270
Payroll Accrual	76,972
Intergovernmental Payable	2,147
Due to Others	<u>3,700</u>
Total Current Liabilities	112,089

Due within more than one year	50
-------------------------------	----

Total Liabilities	<u><u>\$ 112,139</u></u>
-------------------	--------------------------

Net Assets

Investments in Cap. Assets, Net of Related Debt	27,514
Unrestricted	<u>141,817</u>
Total Net Assets	<u><u>\$ 169,331</u></u>

See accompanying notes to the basic financial statements

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**Statement of Revenues,
Expenses and Change in Fund Net Assets
For the Year Ending June 30, 2012**

Operating Revenues:	
State Foundation (Aid)	\$ 923,281
Local Revenue	<u>1,700</u>
Total Operating Revenues	\$ 924,981
Operating Expenses:	
Salaries	481,786
Fringe Benefits	57,450
Purchased Services	419,284
Materials and Supplies	20,627
Depreciation	13,885
Capital Outlays	4,169
Other	<u>446</u>
Total Operating Expenses	<u>997,648</u>
Operating Loss	(72,667)
Non-Operating Revenues (Expenses):	
Federal & State Grants	<u>132,898</u>
Total Non-Operating Revenues (Expenses)	<u>132,898</u>
Change in Net Assets	<u>60,230</u>
Net Assets Beginning of Year	112,100
Net Assets End of Year	<u><u>\$ 172,330</u></u>

See accompanying notes to the basic financial statements

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**Statements of Cash Flows
For the Fiscal Year Ended June 30, 2012**

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$ 923,281
Cash Received from Other Operating Sources	1,700
Cash Payments to Suppliers for Goods and Services	(442,189)
Cash Payments to Employees for Services	(462,995)
Cash Payments for Employee Benefits	(57,450)
Other Cash Payments	(4,616)
Net Cash Used for Operating Activities	\$ (42,269)
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal and State Grants	144,330
	-
Net Cash Provided by Noncapital Financing Activities	144,330
Cash Flows from Capital and Related Financing Activities	
Cash Payments To Schools	(112,300)
Net Cash (Used in) Capital Financing Activities	(112,300)
Net Increase in Cash and Cash Equivalents	\$ (10,239)
Cash and Cash Equivalents Beginning of Year	11,707
Cash and Cash Equivalents End of Year	\$ 1,468
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	\$ (72,578)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	13,885
Changes in Assets and Liabilities	
Decrease in Accounts Payable	(2,418)
Increase in Payroll Accrual	18,791
Decrease in Due to Others	(1,500)
Increase in Governmental Payables	1,551
Total Adjustments	30,309
Net Cash Provided by (used in) Operating Activities	\$ (42,269)

This page intentionally left blank.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

1. DESCRIPTION OF ENTITY

PVA S-1 School (PVA-PS-1) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through the second grade. PVA S-1 qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code effective August 18, 2005. Management is not aware of any course of action or series of events that have occurred that might adversely affect PVA S-1's tax-exempt status.

PVA S-1, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. PVA S-1 may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of PVA S-1. PVA S-1 was approved for operation under a contract with Ohio State Board of Education. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or termination the contract prior to its expiration.

The Academy signed a contract with Ashe Culture Center, Inc. to act as its sponsor for the period of June 30, 2003 through April 14, 2009. In October 2011 Ashe was removed as Sponsor. Ohio Department of Education Office of Community School sponsored the school from October 2011 – June 30, 2013. Kids Count of Dayton is the sponsor since July 1, 2013.

PVA S-1 operates under the direction of a five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial Statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. BASIS OF PRESENTATION

PVA S-1's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Fund Net Asset, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes net assets, financial position and cash flows.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. BUDGETARY PROCESS

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the schools sponsorship agreement. The contract between PVA S-1 and its Sponsor requires a budget to be adopted annually, and be reviewed on a monthly basis. The Board also develops a five year forecast which is reviewed semi-annually.

D. CASH AND CASH EQUIVALENTS

All monies received by PVA S-1 are maintained in a demand deposit account. PVA S-1 considers all short-term, highly liquid and investments with an initial maturity of 3 months or less to be cash equivalents. PVA S-1 has no investments at June 30, 2012.

E. ESTIMATES

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

F. CAPITAL ASSETS

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. Capital assets were \$27,514, as of June 30, 2012 with accumulated depreciation of \$ 100,394. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

<u>Asset</u>	<u>Useful Life</u>
Furniture, Equipment and Materials	5 years
Computers and Office Equipment	7 years

PVA S-1 has an asset capitalization threshold policy of \$1,000. (See Note 4)

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

G. INTERGOVERNMENTAL REVENUES

PVA S-1 currently participates in the State Foundation Program; Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which 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 PVA S-1 must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to PVA S-1 on a reimbursement basis.

PVA S-1 also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs PVA S-1 received \$923,981 this fiscal year.

H. COMPENSATED ABSENCES

The Academy does not record a liability for compensated absences because its policy is not to payout accumulated leave balance upon termination of employment.

I. ACCRUED LIABILITIES

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. As of June 30, 2012 accounts payable was \$2,147.

J. EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which PVA S-1 receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which PVA S-1 must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to PVA S-1 on a reimbursement basis.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

K. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist 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 restriction imposed by creditors, grantors, or law and regulations of other governments. PVA S-1 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activities of PVA S-1. For PVA S-1, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of PVA S-1. Revenue and expenses not meeting this definition are reported as non-operating.

M. ADVANCES TO/FROM SCHOOLS

Phoenix Village Academy Primary 1 (which is now closed), Phoenix Village Academy Secondary 1 and Phoenix Village Academy P-2 are considered family schools. These academies have the same educational philosophy, methodology and provide continuity in the student's educational career, from the primary to the secondary buildings. Charter schools traditionally are underfunded and rely primarily on the state foundation, state and federal grants to finance operations. From time to time, the academies experience cash flow shortages. S1 has advanced cash to P2 to ensure there is sufficient cash to meet payroll and operational expenses. This activity is reported in the Statement of Net Assets as Advances from Schools for the academy receiving cash and the advancing academy reflects and Advance to Schools.

These advances are considered collectable. (See Note 5)

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2012, the book amount of PVA S-1's deposits was \$1,468 and the bank balance was \$3,485.

PVA S-1 had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with PVA S-1 or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2012 none of the bank balances were exposed to custodial credit risk. The total bank balance was insured by the (FDIC). PVA S-1 had no investments.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

4. CAPITAL ASSETS AND DEPRECIATION

	<u>06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/12</u>
Capital Assets Being Depreciated:				
Computer Equipment	\$118,253			\$118,253
Furniture and Appliances	9,655			9,655
Total Capital Assets Being Depreciated	127,908	-	-	127,908
Less Accumulated Depreciation:				
Computer Equipment	(84,602)	(13,508)		(98,110)
Furniture and Appliances	(1,907)	(377)		(2,284)
Total Accumulated Depreciation	(86,509)	(13,885)	-	(100,394)
Net Total Capital Assets	<u>\$41,399</u>	<u>\$(13,885)</u>	-	<u>\$27,514</u>

5. DUE FROM PVA – P2

The Academy's advances to Phoenix Village Academy – P2 activity is presented in the following table:

	Advances To Schools <u>6/30/2011</u>	<u>Additions</u>	<u>Reductions</u>	Advances To Schools <u>6/30/2012</u>
Phoenix Village Academy P-2	\$ 134,718	\$ 112,300	\$ 0	\$ 247,018

The aforementioned has not been repaid at the June 30, 2012 and is recorded in the Statements of Net Assets as Advances to Schools of \$ 247,018.

These advances are approved by the administration with the Board and Sponsor acknowledgement.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

6. DUE TO OTHERS

The table below details the Academy's Due to Others activity for the fiscal year:

	Due To		Due To	
	Others		Others	
	<u>6/30/2011</u>	<u>Additions</u>	<u>Reduction</u>	<u>6/30/2012</u>
Phoenix Village P-1	\$ 5,200		\$ 4,500	\$ 700
LED Consulting, Inc.	0	\$ 6,000		3,000
Ashe	<u>50</u>	_____	_____	<u>50</u>
Total	<u>\$ 5,250</u>	<u>\$ 3,000</u>	<u>\$ 4,500</u>	<u>\$ 3,750</u>

These payments were received to assist the Academy in meeting its financial obligations; no written agreements exist governing these types transactions. No interest is assessed.

6. EDUCATIONAL FACILITY LEASE

PVA S-1 leases its facility at the former Our Lady of Peace Parish. A lease agreement with the Roman Catholic Diocese of Cleveland was effective July 1, 2011, expires on June 30, 2012, and automatically renews each year for four years through June 30, 2015. Monthly payments under the terms of the lease increase each year according to an agreed upon schedule. In fiscal year 2012, PVA S-1 paid \$24,198 in rental and related occupancy payments and expenses. This amount is recorded and reflected in the Statement of Revenue, Expenses and Change in Fund Net Assets as Purchase Services.

7. RISK MANAGEMENT

A. PROPERTY & LIABILITY

PVA S-1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2012, PVA S-1 contracted with Philadelphia Insurance Company for all of its insurance.

B. WORKERS' COMPENSATION

PVA S-1 pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

C. EMPLOYEE BENEFITS

PVA S-1 provides medical insurance benefits to most employees. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employees depending on age, sex, and number of dependents.

8. PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO (SERS OHIO)

Plan Description - The Academy contributes to the school Employees Retirement System (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 Charter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling 1-800-878-5853. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 the annual covered payroll. A portion of the Academy's contribution is used to fund health care benefits. For fiscal year 2012, 12.65% and 0.05% of the annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 1.35% of other 14% employer contribution is allocated to the Health Care and Medicare B Funds. 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, 2012, 2011 and 2010 were \$ 19,123, \$13,727, and \$7,401, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS OHIO)

Plan Description – The Academy participates in the State Teachers Retirement 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, Ohio 43215-3771, by calling 614-227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options – 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 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% of earned compensation into an investment account. Investment decisions are made by the

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

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

Funding Policy – For fiscal year 2012, 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, 2012, 2011 and 2010 were \$ 28,960, \$30,370, and 15,890, respectively; 100 percent has been contributed for the fiscal years 2012, 2011, and 2010.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEMS (SERS)

Plan Description – The Academy contributes to the School Employees Retirement System (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 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 financial reports may be obtained by writing to the SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or calling toll free 800-878-5853. It is also posted on the SERS' Ohio Website, www.ohsers.org, under *Employers/Audit Resources*.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

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 2012, .55 percent of covered payroll was allocated to health care. An additional healthcare surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated 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 2012, the actuarially determined amount was \$35,800.

Active member 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 fiscal years ended June 30, 2012, 2011, and 2010 were \$ 4,072, \$2,824, and \$ 1,488 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, 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, 2012, 2011, and 2010 were \$ 1,231 \$ 883, and \$ 476 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, physician’s fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS of Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and give 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 2012, 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 fiscal years ended June 30, 2012, 2011 and 2010 were \$ 2,227, \$2,336, and \$1,222 respectively; 100 percent has been contributed for the fiscal years 2012, 2011 and 2010.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

10. CONTINGENCIES

A. GRANTS

PVA S-1 received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor. Any disallowed costs may require refunding to the grantor. Amount which may be disallowed, if any, are not presently determinable. However, in the opinion of PVA S-1, any such adjustments will not have a material adverse effect on the financial position of PVA S-1.

B. FULL-TIME EQUIVALENCY

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by PVA S-1. These reviews are conducted to ensure PVA S-1 is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2012 review has not been completed at this time.

11. SPONSORSHIP

PVA S-1 contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. PVA S-1 pays the Sponsor three percent of State Aid. Sponsorship fees are calculated as three percent of state funds received by PVA S-1 from the State of Ohio. In September of 2011 the Ohio Department of Education, Office of Community Schools took over as the sponsor. As of July 1, 2013 the Academy was sponsored by Kids Count of Dayton. . For the fiscal year ended June 30, 2012, sponsorship fees totaled \$16,407.

12. L.E.D. CONSULTING, INC. – TREASURY SERVICES

PVA S-1 entered into a contract with L.E.D. Consulting, Inc. effective August 15, 2009 to provide treasury services, as defined by the contract. Contract provision binds the Academy to pay \$5,000 per month for July and August of 2011 until a subsequent contract was signed for treasurer services at \$ 4,000 plus specific billable hours for pre audit work, MD & A and tax preparation work. LED Consulting was paid \$67,837.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

13. PURCHASED SERVICES

For the period of July 1, 2011 through June 30, 2012, PVA S-1 made the following purchase service commitments. These commitments include sponsor, management and CCIP fees, were applicable.

	2012
Professional and Technical Services	55,272
Occupancy	55,327
Other Contract Services	259,149
Other Expenses	49,536
	<u>\$ 419,284</u>

14. SUBSEQUENT EVENTS

As of July 1, 2013 Kids County of Dayton became the Academy's Sponsor.



Dave Yost • 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 Secondary 1
Cuyahoga County
12406 Shaker Boulevard
Cleveland, Ohio 44120

To the Board of Trustees:

We have audited the financial statements of Phoenix Village Academy Secondary 1, Cuyahoga County, (the Academy) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2013, wherein we qualified our opinion because there was insufficient evidence to support the Academy's balance of Due From Schools, Due To Others, Capital Assets, Defined Benefits Pension Plans and Post-Employment Benefits and related note disclosures. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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 and another deficiency we consider to be a significant deficiency.

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 2012-02 and 2012-03 described in the accompanying schedule of findings to be material weaknesses.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113 1801
Phone: 216 787 3665 or 800 626 2297 Fax: 216 787 3361

www.ohioauditor.gov

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-04 described in the accompanying schedule of findings to be a significant deficiency.

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 engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 through 2012-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 20, 2013.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2013

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

FINDING NUMBER 2012-001

Board Member Compensation- Material Noncompliance and Finding for Recovery

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

On February 15, 2012, check number 2784 from Academy's CNB Bank Account, in the amount of \$212, was issued and authorized by Edward Dudley, Treasurer, and made payable to George C. Fraser. This payment was for attending the February 9, 2012 Board Meeting, however per review of the minutes and Academy records, there was no indication that George C. Fraser was ever in attendance for that meeting or any meeting during fiscal year 2012 to make the payment proper.

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

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against George C. Fraser and his bonding company, Market Insurance Company and Edward Dudley JR., Treasurer, and his bonding company Western Surety, jointly and severally, in the amount of \$212 in favor of Phoenix Village Academy Secondary 1.

George C. Fraser repaid this finding for recovery under audit in full with a money order on July 29, 2013.

Officials' Response: This was repaid but the Academy did not submit a formal response

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

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

(continued)

FINDING NUMBER 2012-002

Condition of Accounting Records – Material Noncompliance and Material Weakness

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code Section 117-2-02 (D)(4)(c) states that all local public offices should maintain or provide capital asset records including 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.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted the following:

- The Academy does not have a capital asset policy which specifies the threshold for capital assets, depreciation, useful lives, or tagging procedures;
- The Academy did not maintain capital asset records during the year and an independent appraisal company was contracted to perform an inventory of capital assets;
- The Academy does not perform a monthly bank-to-book reconciliation. Reconciliations are generated from the Academy's accounting software on a monthly basis, and are not accurate, nor are they reviewed;
- Checking account reconciliations contained outstanding checks that were either voided or not outstanding at year-end and did not agree to the amounts reported in the financial statements;
- The Academy did not provide support for the beginning balance of Due From Other Schools and Due To Others;
- Checks were not issued in sequential order;
- The Academy was unable to provide a complete listing of 1099 forms for the audit period;
- The Academy Board approved loans with Phoenix Village Academy Primary 2 after they had already been made;
- The Academy did not provide accurate schedules of Accounts Payable or Accrued Payroll;
- The amounts reported by the Academy as State Foundation Payments did not agree to the confirmations obtained;
- The Academy provided a consolidated trial balance but adjustments made to various asset and liability accounts were unsupported; and
- Amounts reported in the Academy's pension note disclosure for 2010 and 2011 were inaccurate.

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

(Continued)

FINDING NUMBER 2012-002 (Continued)

Condition of Accounting Records – Material Noncompliance and Material Weakness (Continued)

During testing of non-payroll expenditures, we noted the following errors:

- No formal agreement was established for the rental payments between schools; and
- Supporting documentation was not always attached to the voucher packet for disbursements sampled.

During our testing of payroll expenditures, we noted the following:

- No records existed for one employee's withholding forms (retirement and local, state, and federal taxes); and
- STRS and SERS withholding payments differed from Paycor reports. We noted five instances, one underpayment and four overpayments, in which inaccurate SERS remittances were made, and one underpayment of an STRS remittance, resulting in net underpayments to SERS and STRS of \$265 and \$261, respectively.

The Academy's management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions. The condition of accounting records prohibited us from obtaining sufficient evidential matter in our procedures to express an unqualified opinion on the financial statements.

We recommend the Academy implement and maintain controls over accounting records and transactions.

Officials' Response: The Governing Board has retained the services of Mr. Sylvester Monroe to perform the Schools' treasury services. Prior to retaining Mr. Monroe, the Governing Board engaged a thorough search for a fiscal officer with demonstrable experience in maintaining accounting systems, including capital asset records, in the manner and format preferred by the Ohio Department of Education and State Auditors. It is our sincere hope that the retention of Mr. Monroe will greatly reduce or eliminate altogether, any fiscal related issues that have been reported.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

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

(continued)

FINDING NUMBER 2012-003

Developing and Implementing an Effective Monitoring Control System – Material Noncompliance and Material Weakness

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 is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions.

Monitoring should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring practices include:

- Regular review of monthly financial statements;
- 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.

Although the Treasurer prepared monthly financial reports for the Board at each meeting, the Academy failed to perform adequate monitoring over financial activities. The lack of effective monitoring could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board, and non-compliance with federal or state laws or regulations. 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 could go undetected. This deficiency also resulted in inaccurate or incomplete financial statements and also prohibited us from obtaining sufficient evidential matter in our procedures to express an unqualified opinion on the financial statements.

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

(Continued)

FINDING NUMBER 2012-003 (Continued)

Developing and Implementing an Effective Monitoring Control System – Material Noncompliance and Material Weakness (Continued)

We recommend the Board review the monthly financial reports they receive at their meetings and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that 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 that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

Officials' Response: In addition to retaining the services of Mr. Monroe, the Governing Authority has taken the following action to ensure an effective system of internal controls and monitoring: (1) the Governing Board, or a committee thereof reviews the monthly financial reports provided by Mr. Monroe, which are then subject to formal Board approval; (2) the fiscal officer ensure that any reports required by the grantor agencies are completed accurately and field in a timely manner; and (3) the independent review of the monthly bank reconciliations is now a standard operating procedure.

FINDING NUMBER 2012-004

Notice of Public Meetings and Record of Minutes – Material Noncompliance and Significant Deficiency

Ohio Rev. Code Section 3314.01 (B) provides a community school created under this chapter is a public school, independent of any school district, and is part of the state's program of education. The governing authority of a community school may carry out any act and ensure the performance of any function that is in compliance with the Ohio Constitution, this chapter, other statutes applicable to community schools, and the contract entered into under this chapter establishing the school. Ohio Rev. Code Section 3314.02 (E) provides in part for a Governing Board of at least five members.

Ohio Rev. Code Section 121.22 (C) states that all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

Furthermore, this revised code section states 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. Ohio Rev. Code Section 121.22(F) states that every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regular scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of an emergency requiring immediate official action. In the event of an emergency, the member, or members calling the meeting shall notify the news media that have requested notification immediately of the time, place, and purpose of the meeting.

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

(continued)

FINDING NUMBER 2012-004 (Continued)

Notice of Public Meetings and Record of Minutes – Material Noncompliance and Significant Deficiency (Continued)

The following deficiencies in the Board meeting minutes were noted:

- The Academy did not provide an open meeting and meeting notification policy;
- Minutes did not reflect the general subject matter of the Executive Sessions; and
- Meetings were not held regularly to inform the Board of financial issues in a timely manner.

It is the Board's responsibility to oversee the Academy's operation and make decisions to ensure the Academy's goals and objectives are accomplished. The Board is responsible for determining the direction in which the Academy is heading. This occurs only after a great deal of consultation with parents, staff and students of the school to ensure that the school is providing the highest quality of education possible and a safe place in which students can learn. The Board minutes represent the official record of Academy events and resolutions passed by the Board of Directors. Without following Board meeting requirements for proceedings, it cannot be reasonably assured that the Board is meeting its obligation to oversee the Academy. That lack of oversight could result in errors and irregularities that may go undetected and incomplete and inaccurate financial statements and records.

We recommend the Academy take the necessary steps to approve all formal employment actions during Board meetings and to meet on a regular basis to inform the Board of important issues in a timely manner. We also recommend the Academy establish an open meeting and meeting notification policy, a method to notify the public of the meetings and establish a timely method of recording the Board minutes and making them available to the public for inspection.

Officials' Response: The Governing Authority is committed to compliance with Ohio's Open Meeting Act. Since the conclusion of the relevant Audit period, the Governing Board has adopted a policy setting forth the means by which the public is notified of any and all Governing Board meetings. The Board has also taken steps to ensure compliance with Ohio Revised Code 121.22(G) with regard to executive sessions.

PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

(Continued)

FINDING NUMBER 2012-005

Annual Financial Reporting – Material Noncompliance

Ohio Rev. Code Section 117.38 states that a community school must file a complete and accurate GAAP report on an annual basis. This section also provides, in part, that "at the time the annual financial report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer."

During our review of the Academy's 2012 annual financial report filed with Local Government Services, we noted the annual financial report balances and totals were significantly misstated and misleading, and did not agree to the Academy's accounting system. In addition, no evidence was provided, by the Academy, that a public notice was published.

By not filing accurate financial reports and an annual notice, the Academy is not fulfilling their duties of accountability and transparency to the public.

We recommend the Academy compile and present their financial statements in a complete and accurate manner in accordance with its accounting records and the above Revised Code Section. We also recommend at the time the report is filed with the Auditor of State, the Academy, except as otherwise provided in section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the Academy's central office.

Official's Response: As referenced in the Officials' Response to Finding 2012-02, the Governing Board has retained the services of Sylvester Monroe in order to ensure that fiscal-related matters, including the compilation and presentation of financial statements, as well as the submission of those reports and accompanying public notices, are completed in an accurate and timely manner.

**PHOENIX VILLAGE ACADEMY SECONDARY 1
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Condition of Financial Records	No	Reissued under Finding 2012-02
2011-002	Developing and Implementing an Effective Monitoring Control System	No	Reissued under Finding 2012-03
2011-003	Notice of Public Meetings and Record of Minutes	No	Reissued under Finding 2012-04
2011-004	Annual Financial Reporting	No	Reissued under Finding 2012-05

