PHOENIX VILLAGE ACADEMY PRIMARY 2
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2012

PHOENIX VILLAGE ACADEMY PRIMARY 2
CUYAHOGA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Village Academy Primary 2
Cuyahoga County
12406 Shaker Boulevard
Cleveland, Ohio 44120

To the Board of Trustees:

We have audited the accompanying financial statements of Phoenix Village Academy Primary 2, 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 an opinion 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 Advances Payable.

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 Primary 2, 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.

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www.ohioauditor.gov

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.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 14, the Statement of Net Assets show the Academy has a net deficit of $292,841 and describes Management's plans regarding these matters. This condition raises substantial doubt about the Academy's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2013

Our discussion and analysis of Phoenix Village Academy P-2 (PVA P-2) financial performance provides an overall review of PVA P-2's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at PVA P-2'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 P-2'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 P-2 for the 2011-2012 school year are as follows:

- Total assets decreased by $10,997 or 17%
- Total liabilities increased by $107,786 or 45%.
- Total net assets decreased by $118,783 or 68%.
- Total operating revenues were $ 308,522. Total operating expenses were $ 595,015.

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 P-2 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 P-2'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 P-2 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 P-2's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

PVA P-2 uses enterprise presentation for all of its activities.

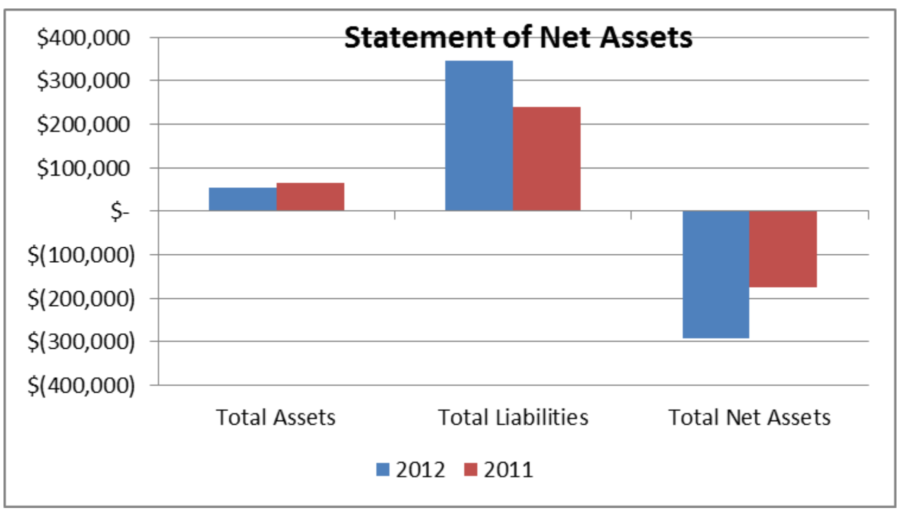
STATEMENT OF NET ASSETS

The Statement of Net Assets answers the question of how PVA P-2 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	$ 48,884	$ 50,360
Fixed Assets	$ 5,341	$ 14,862
Total Assets	$ 54,225	$ 65,222
Liabilities		
Current Liabilities	$ 347,066	$ 239,280
	$ -	
Total Liabilities	$ 347,066	$ 239,280
Net Assets		
Investment in Capital Assets, Net of Related Debt	$ 5,341	$ 14,862
Unrestricted	$ (298,182)	$ (188,920)
Total Net Assets	$ (292,841)	$ (174,058)



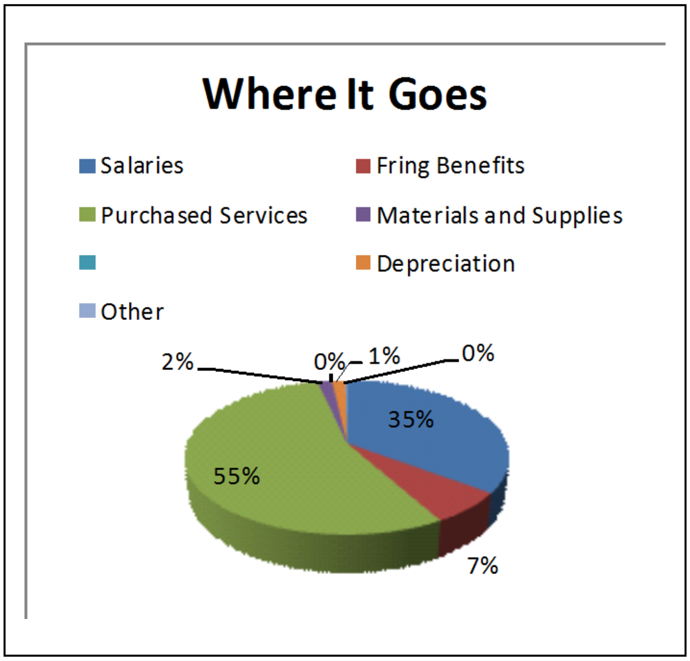
Statement of Revenues, Expenses and Changes in Net Assets

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

	2012	2011
Operating Revenue:		
State Aid	$ 308,182	$ 401,545
Local Revenue	340	2,434
Total Operating Revenues	$ 308,522	$ 403,979
Operating Expenses:		
Salaries	209,432	275,122
Fring Benefits	39,593	73,451
Purchased Services	324,910	338,521
Materials and Supplies	10,440	60,889
	-	
Depreciation	9,521	9,521
Other	1,119	1,386
Total Operating Expenses	595,015	758,890
Operating (Loss)		
Non-Operating Revenues and (Expenses)	(286,493)	(354,911)
	-	-
Restricted Grants In Aid - Federal & State	167,710	287,822
Total Non-Operating Revenues	167,710	287,822
Change In Assets	(118,783)	(67,089)
Net Assets Beginning of Year	(174,058)	(106,969)
(Decrease) in Net Assets	$ (292,841)	$ (174,058)

Operating revenues decreased by $95,457 23% from 2011. Operating expenses decreased by $163,875 from 2011, due to a decrease in enrollment.



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 P-2 and its Sponsor does prescribe a budgetary process. PVA P-2 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 P-2 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 P-2 has debt obligations comprised of loans totaling $268,338 (Loan from PVA S-1, as well as Ashe Cultural Center) at June 30, 2012. See the Note 6 in the notes to the basic financial statement for further details.

CONTACTING PVA P-2'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of PVA P-2'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).

FINANCIAL STATEMENTS

Statement of Net Assets
At June 30, 2012

Assets		
Current Assets:		
Cash	$	11,481
Accounts Receivable		20,153
Deposits & Escrows		17,250
Total Current Assets	$	48,884
Fixed Assets: Net		5,341
Total Assets	$	54,225
Liabilities		
Current Liabilities:		
Accounts Payable	$	33,956
Payroll Accrual		44,384
Advances Payable		268,338
Intergovermental Payables		388
Total Liabilities	$	347,066
Net Assets		
Investment in Capital Assets, Net of Related Debt		5,341
Unrestricted		(298,182)
Total Net Assets	$	(292,841)

See accompanying notes to the basic financial statements

PHOENIX VILLAGE ACADEMY PRIMARY - 2
CUYAHOGA COUNTY

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

Salaries	$	209,432
Fringe Benefits		39,593
Purchased Services		324,910
Materials and Supplies		10,440
Depreciation		9,521
Capital Outlays		-
Other		1,120
Total Operating Expenses		595,015
Operating Loss		(286,493)
Non-Operating Revenues (Expenses):		
Federal Grants		167,710
Total Non-Operating Revenues (Expenses)		167,710
Change in Net Assets		(118,783)
Net Assets Beginning of Year		(174,058)
Net Assets End of Year	$	(292,841)

See accompanying notes to the basic financial statements

PHOENIX VILLAGE ACADEMY PRIMARY - 2
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	$	308,182
Cash Received from Other Operating Sources		340
Cash Payments to Suppliers for Goods and Services		(355,322)
Cash Payments to Employees for Services		(194,271)
Cash Payments for Employee Benefits		(39,593)
Other Cash Payments		(1,119)
Net Cash Used for Operating Activities		(281,783)
Cash Flows from Noncapital Financing Activities		
Cash Received from Federal Grants		166,616
Net Cash Provided by Noncapital Financing activities		166,616
Cash Flows from Capital and Related Financing Activitites		-
Cash Received from Schools		112,300
Net Increase in Cash and Cash Equivalents		112,300
Net Decrease in Cash and Cash Equivalents		(2,867)
Cash and Cash Equivalents, Beginning of Year		14,051
Cash and Cash Equivalents, End of Year	$	11,184
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(286,493)
Adjustments to reconcile Operating to Net Cash Used for Operating Activities		
Depreciation		9,521
Changes in Assets and Liabilities:		
Decrease in Accounts Payable		(19,675)
Increase in Payroll Accruals		15,161
Total Adjustments		5,007
Net Cash Used for Operating Activities	$	(281,783)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF ENTITY

PVA P-2 School (PVA-P-2) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in third through the sixth grade. PVA P-2 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 P-2's tax-exempt status.

PVA P-2, 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. The Academy can sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy was approved for operation under a contract with Ohio State Board of Education. The Sponsor is responsible for evaluating the performance of PVA P-2 and has the authority to deny renewal of the contract at its expiration or terminate 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, 2006 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.

The Academy 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 P-2'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.

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. Accrual 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 P-2 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 P-2 are maintained in a demand deposit account. PVA P-2 has no investments at June 30, 2012. PVA P-2 considers all short-term, highly liquid investments with original maturities of three months or less cash equivalents.

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 $55,722, as of June 30, 2012 with accumulated depreciation of $50,381. Deprecation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

Asset	Useful Life
Furniture, Equipment and Materials	5 years
Computers and Office Equipment	7 years

PVA P-2 has an asset capitalization threshold policy of $1,000. (See Note 4)

G. INTERGOVERNMENTAL REVENUES

PVA P-2 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 P-2 must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to PVA P-2 on a reimbursement basis.

PVA P-2 also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs PVA P-2 received $458,940 this fiscal year.

H. COMPENSATED ABSENCES

The Academy does not record a liability for compensated absences because its policy is not to payout accumulated leaves balances upon termination of employment. Vacation is taken in a manner in which corresponds with PVA P-2 calendar; therefore PVA P-2 does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one and one-quarter day per month and can be accrued up to the maximum amount of one hundred-twenty days. School will accept the transfer of sick days from another School district up to the maximum accrual amount. No financial accrual for sick leave is made since unused sick leave is not paid to employees upon separation.

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 were $33,956.

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 P-2 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 P-2 must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to PVA P-2 on a reimbursement basis.

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 P-2 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 P-2. For PVA P-2, 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 P-2. 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 6)

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”.

All balances were insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2012 the book amount of PVA P-2’s deposits was $11,481 and the bank balance was $17,481.

PVA P-2 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 P-2 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 balance was exposed to custodial credit risk.

4. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2012, the Academy’s capital assets consisted the following:

	Balance 06/30/11	Addition	Deletions	Balance 06/30/12
Capital Assets Being Depreciated:				
Computer Equipment	$ 49,855			$ 49,855
Furniture and Appliances	5,867			5,867
Total Capital Assets Being Depreciated	55,722	-	-	55,722
Less Accumulated Depreciation:				
Computer Equipment	(39,138)	(9,140)		(48,278)
Furniture and Appliances	(1,722)	(381)		(2,103)
Total Accumulated Depreciation	(40,860)	(9,521)	-	(50,381)
Net Total Capital Assets	$ 14,862	(9,521)	-	$ 5 ,341

5. EDUCATIONAL FACILITY LEASE

PVA P-2 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 P-2 paid $76,602 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.

6. ADVANCES PAYABLE

The table below details the Academy's Advances from Others activity for the fiscal year:

	Advances from Others 6/30/2011	Additions	Reductions	Advances from Others 6/30/2012
Ashe Culture Center	$ 21,320			$ 21,320
Phoenix Village Academy S-1	$ 134,718	$ 112,300		$ 247,018
	$ 66,220	$ 112,300		$ 268,338

These advances were received to assist the Academy in meeting its financial obligations: no written agreements exist governing these type transactions. No interest is assessed to the Academy for the[i] use of these funds. The Academy has reviewed and approved these advances for the periods ending June 30, 2011 and June 30, 2012.

7. RISK MANAGEMENT

A. PROPERTY & LIABILITY

PVA P-2 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 P-2 contracted with Philadelphia Insurance Company for all of its insurance.

B. WORKERS' COMPENSATION

PVA P-2 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.

C. EMPLOYEE BENEFITS

PVA P-2 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

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 Charter3309 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.*

Finding 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 1.3% 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 $ 9,095, $12,406 and, $5,502, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

B. State Teachers Retirement System of 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 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 $ 27,289 $26,358, and 23,201, 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. POST EMPLOYMENT 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 Healthcare Plan includes hospitalization and physician's 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 reimburses Medicare Part b premiums paid by eligible retirees and beneficiaries as set forth in Chapter 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 2012 was $99.90 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 or calling toll free 800-878-5853. It is also posted on the SERS' Ohio Website, www.ohsers.org, under *Employers/Audit Resources.*

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 a \n 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 $ 2,688, $2,206, and $1,443, 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 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were $ 585, $798, and $354 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 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 fiscal years ended June 30, 2012, 2011 and 2010 were $ 2,009, $2,028, and $1,771, respectively; 100 percent has been contributed for the fiscal years 2012, 2011 and 2010.

10. CONTINGENCIES

A. GRANTS

PVA P-2 received financial assistance from federal and state agencies in the form of grants. Amount received from grantor agencies are subject to audit and adjustment 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 P-2, any such adjustments will not have a material adverse effect on the financial position of PVA P-2.

B. FULL-TIME EQUIVALENCY

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by PVA P-2. These reviews are conducted to ensure PVA P-2 is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review for the period of July 1, 2011 through June 30, 2012 has not been performed as of June 30, 2012.

11. SPONSORSHIP

PVA P-2 contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. PVA P-2 pays the Sponsor three percent of State Aid. Sponsorship fees are calculated as three percent of state funds received by PVA P-2 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 three months Ashe was the sponsor they were paid $ 3,134. Total sponsorship fees for the year was $ 9,148.

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

PVA P-2 entered into a contract with L.E.D. Consulting, Inc. effective July 1, 2011 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. The contract was modified and reduced to $ 4,000 and additional billings for specific services including audit pre word. The agreement until terminated by mutual agreement of both parties. LED Consulting was paid $ 7,510 for Treasurer, audit prep fees, the M.D. & A and postage during the year.

13. PURCHASED SERVICES

For the period of July 1, 2011 through June 30, 2012, PVA P-2 made the following purchase service commitments. These commitments include sponsor, management and CCIP fees, were applicable.

	2012
Food Service	110,475
Occupancy	46,000
Other Purchase Services	14,305
Professional & Technical	20,878
Other Contract Services	133,252
	$ 324,910

14. FINANCIAL DISTRESS AND SUBSEQUENT EVENTS

As of June 30, 2012, the Academy had a deficit of $ 292,841. The Treasurer and the Board has instituted budgetary constraints which ensure discretionary expenditures remain within annual resources. The academy has increased its enrollment and decreased its expenditure to maintain solvency. The academy shares school facilities with another school, Phoenix Village Academy S-1. The lease, utilities and other occupancy cost have been reallocated, between both schools, to decrease the overall expenditures for the Academy.

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

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

Phoenix Village Academy Primary 2
Cuyahoga County
12406 Shaker Boulevard
Cleveland, Ohio 44120

To the Board of Trustees:

We have audited the financial statements of Phoenix Village Academy Primary 2, 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 issued a qualified opinion because there was insufficient evidence to support the Academy's balance of Advances Payable, Capital Assets, and the Defined Benefit Pension Plans and Post-Employment Benefits and related note disclosures. We reported that the Academy has a net deficit of $292,841. Therefore, our report expressed substantial doubt about the Academy's ability to continue as a going concern. 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2013

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

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

FINDING 2012-01

Board Member Compensation- Material Noncompliance and Finding for Recovery Repaid Under Audit

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 3881 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 Primary 2.

George C. Fraser repaid this finding for recovery under audit in full with personal check #5018 on October 1, 2013.

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

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

FINDING NUMBER 2012-02

Condition of Accounting Records – Material Noncompliance and Material Weakness

Ohio Admin. 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 Admin. 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 Advances Payable;
- Checks were not issued in sequential order;
- The Academy did not accurately present Accounts Payable;
- The Academy did not present an accurate schedule of Accrued Payroll;
- The Academy was unable to provide a complete listing of 1099 forms for the period under audit;
- The Academy did not provide any loan collection and repayment agreements with Phoenix Village Academy Secondary 1 which were approved by the Board;
- The Academy did not present Federal Awards and the related receivable properly, requiring an adjustment of $17,292 to be made to the financial statements, and where applicable, the accounting records;
- 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.

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

FINDING NUMBER 2012-02 (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;
- Vendor names recorded on the general ledger did not always match the actual vendor the check was paid to; and
- Supporting documentation was not always attached to the voucher packet for disbursements sampled.

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

- SERS withholding payments differed from Paycor and Paychex reports. We noted two instances, one overpayment and one underpayment, in which inaccurate SERS remittances were made, resulting in an underpayment to SERS of $15; and
- One payment to Paycor of withholdings for income taxed could not be traced to the general ledger.

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.

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

FINDING NUMBER 2012-03

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 and incomplete financial statements and also prohibited us from obtaining sufficient evidential matter in our procedures to express an unqualified opinion on the financial statements.

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

FINDING NUMBER 2012-03 (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 2012-04

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 that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. 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 regularly 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 any 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.

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

FINDING NUMBER 2012-04 (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.

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

FINDING NUMBER 2012-05

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 report balances and totals that 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.

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PHOENIX VILLAGE ACADEMY PRIMARY 2
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; ***Explain***
2011-001	Condition of Accounting Records	No	Re-Issued as Finding 2012-02
2011-002	Developing and Implementing an Effective Monitoring Control System	No	Re-Issued as Finding 2012-03
2011-003	Notice of Public Meetings and Record of Minutes	No	Re-Issued as Finding 2012-04
2011-004	Annual Financial Reporting	No	Re-Issued as Finding 2012-05

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Dave Yost · Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Phoenix Village Academy Primary 2
Cuyahoga County
12406 Shaker Boulevard
Cleveland, Ohio 44120

To the Board of Trustees:

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Phoenix Village Academy Primary 2 (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We inquired with the Board's management regarding the aforementioned policy. They stated they have not yet adopted an anti-harassment policy. The Board should adopt a policy as required by Ohio Rev. Code 3313.666.

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

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

Dave Yost

Dave Yost
Auditor of State

November 20, 2013

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

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PHOENIX VILLAGE ACADEMY PRIMARY 2

CUYAHOGA 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
DECEMBER 5, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
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