PHOENIX VILLAGE ACADEMY - PRIMARY 1
SUMMIT COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

PHOENIX VILLAGE ACADEMY – PRIMARY 1
SUMMIT COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We were engaged to audit the accompanying basic financial statements of the Phoenix Village Academy – Primary 1, Summit County, Ohio, (the Academy), as of and for the year ended June 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management.

Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards* require us to inquire with the Academy's legal counsel concerning litigation, claims, and assessments. The Academy's legal counsel has not responded to our inquiries.

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the $45,732 of equipment and furniture capital assets net of depreciation recorded in the accompanying statement of net assets and the $5,034 of related depreciation expense recorded in the statement of revenues, expenses, and changes in net assets and statement of cash flows for the year ended June 30, 2009. Due to our inability to obtain assurance on the amount recorded as capital assets, we are also unable to obtain assurance as to the $45,732 recorded as Invested in Capital Assets, Net of Related Debt. We were unable to satisfy ourselves regarding capital assets net of depreciation, depreciation expense, and Invested in Capital Assets Net of Related Debt amounts by other auditing procedures.

The Academy did not maintain supporting documentation for student full-time equivalencies reported to the Ohio Department of Education (ODE); the full-time equivalencies are used by ODE to calculate the Academy's State Foundation Settlement payments for the amounts shown as State Foundation revenue of $148,843 on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets.

The Academy failed to provide documentation of accounts payable. Therefore, we were unable to obtain evidence supporting the existence and rights and obligations related to these payables.

The Academy failed to provide a bank to book reconciliation at June 30, 2009. We were unable to obtain sufficient evidence to substantiate the cash and cash equivalents balance of negative ($4,160).

Since the School did not provide the evidence described in paragraphs two through six above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the financial activity of the School for the year ended June 30, 2009.

As described in Note 19, the Sponsor suspended operations of the Academy effective December 18, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. Because of the lack of evidence described in paragraphs two through six above, we were unable to apply procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

The Academy has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 27, 2010

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

Our discussion and analysis of the Phoenix Village Academy Primary - 1 (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the 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 the Academy for the 2009-08 school year are as follows:

- Total assets decreased by $25,740 or 33%. Cash and cash equivalents decreased by $13,906, as the Academy continued meeting obligation while State Foundation continued to decline.
- Total liabilities increased by $4,198, or 8% from 2008. With cash balances reaching a negative balance, the Academy was unable to meet certain debt obligations, including monies owned to the Ohio Department of Education.
- Total net assets decreased by $29,938.
- Total operating revenues were $162,521. Total operating expenses were $204,993.

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 the Academy did financially during fiscal year 2009. 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 the Academy'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 the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Academy's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Academy uses enterprise presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during 2009. 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 2009 and 2008.

Table 1
Statement of Net Assets

	2009	2008
Assets		
Current Assets	$ 7,240	$ 27,946
Capital Assets, Net of Accumulated Depreciation	45,732	50,766
Total Assets	52,972	78,712
Liabilities		
Current Liabilities	56,916	52,718
Total Liabilities	56,916	52,718
Net Assets		
Investment in Capital Assets, Net of Related Debt	45,732	50,766
Unrestricted	(49,676)	(24,772)
Total Net Assets	$ (3,944)	$ 25,994

Net assets decreased to a negative ($3,944) a $29,938, or 115% from 2008. Capital Assets, net of depreciation, decrease primary due to the annual depreciation charge-off of $5,034. Liabilities increased from 2008, $4,198, or 8%. The primary increase is due to an increase in accounts payable and decrease in the State Foundation owed to the Ohio Department of Education (ODE) for foundation payments received by the Academy for students presumed in attendance, who actually attended other learning facilities, or district.

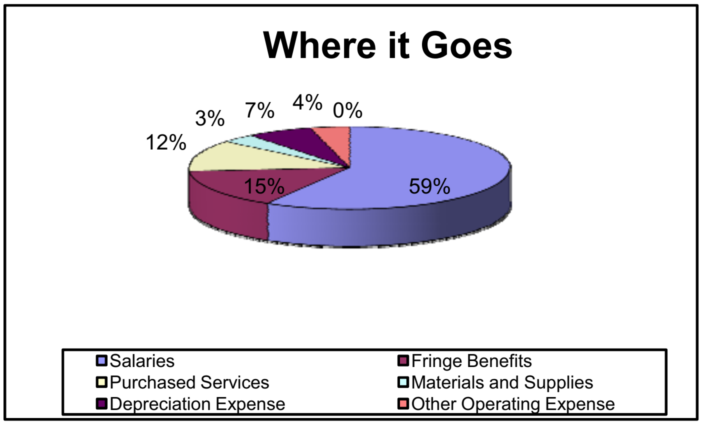
Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2009 and 2008, 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

	2009	2008
Operating Revenue :		
State Aid	$ 148,843	$ 377,250
Food Service	13,078	-
Other	600	-
Total Operating Revenues	162,521	377,250
Operating Expenses :		
Salaries	68,099	142,623
Fringe Benefits	7,970	20,485
Purchased Services	120,905	201,278
Materials and Supplies	1,727	1,394
Depreciation Expense	5,034	10,072
Other Operating Expense	1,258	1,662
Total Operating Expenses	204,993	377,514
Operating (Loss)	(42,472)	(264)
Non-Operating Revenues and (Expenses)		
Grants – State and Federal	13,787	-
Interest and Fiscal Charges	(253)	-
Repayment	(1,000)	-
Total Non-Operating Revenues and (Expenses)	12,534	-
Increase (Decrease) in Net Assets	$ (29,938)	$ (264)

Operating revenues decreased $214,729, which represents a 56.9% decrease from 2008, due to the diminishing enrollment and the subsequent closure of the Academy on December 18, 2008. Operating expenses decreased by $172,521, which represents a 45.7% decrease from 2008, affected by the closure of the Academy.



BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor.

The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy 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

The Academy has $45,732 invested in capital assets, net of accumulated depreciation. No additional investments in capital asset in the fiscal year were made. Detailed information regarding capital asset activity is included in the Note 5 in the notes to the basic financial statements.

DEBT OBLIGATIONS

The Academy has advanced to other schools in the amount $18,902, at June 30, 2009. See note 7 to the basic financial statements for further details.

OTHER INFORMATION

Since the continued decline of the Academy's enrollment, the Sponsor exercised its right, under the sponsorship agreement, to cease the operation of the Academy. December 18, 2008 is the final day of operations of the Academy.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Edward E. Dudley, Sr. CPA, MBA, of LED Consulting, 676 Brook Hollow, Gahanna, Ohio 43230 or e-mail at ed@eddudleycpa.com.

PHOENIX VILLAGE ACADEMY PRIMARY – 1
SUMMIT COUNTY

Statement of Net Assets
June 30, 2009

Assets	
Current Assets:	
Cash and Cash Equivalents	$ (4,160)
Loans to Schools	11,400
Total Current Assets	7,240
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets, net	45,732
Total Noncurrent Assets	45,732
Total Assets	$ 52,972
Liabilities	
Current Liabilities:	
Accounts Payable	$ 31,908
Intergovernmental Payable	6,106
Loans from Schools	18,902
Total Current Liabilities	56,916
Net Assets	
Investment in Capital Assets, Net of Related Debt	$ 45,732
Unrestricted	(49,676)
Total Net Assets	$ (3,944)

See accompanying notes to the basic financial statements

PHOENIX VILLAGE ACADEMY PRIMARY – 1
SUMMIT COUNTY

Statement of Revenues,
Expenses and Changes in Fund Net Assets
For The Fiscal Year Ended June 30, 2009

Operating Revenues:	
State Foundation	$ 148,843
Food Service Charges for Services	13,078
Other	600
Total Operating Revenues	162,521
Operating Expenses:	
Salaries	68,099
Fringe Benefits	7,970
Purchased Services	120,905
Materials and Supplies	1,727
Depreciation	5,034
Other	1,258
Total Operating Expenses	204,993
Operating Loss	(42,472)
Non-Operating Revenues (Expenses):	
Grants	13,787
Repayments	(1,000)
Bank Service Charges	(253)
Total Non-Operating Revenues (Expenses)	12,534
Change in Net Assets	(29,938)
Net Assets Beginning of Year	25,994
Net Assets End of Year	$ (3,944)

See accompanying notes to the basic financial statements

PHOENIX VILLAGE ACADEMY PRIMARY – 1
SUMMIT COUNTY

Statement of Cash Flows
For The Fiscal Year Ended June 30, 2009

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$148,843
Cash Received from Other Operating Sources	13,679
Cash Payments to Suppliers for Goods and Services	(95,131)
Cash Payments to Employees for Services	(66,641)
Cash Payments for Employee Benefits	(9,289)
Other Cash Payments	(17,901)
Net Cash Used for Operating Activities	($26,440)
Cash Flows from Noncapital Financing Activities	
Cash Received from Operating Grants	13,787
Net Cash Provided by Noncapital Financing Activities	13,787
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Fiscal Charges	(253)
Cash Payments for Repayments	(1,000)
Net Cash Provided by (Used in) Capital Financing Activities	(1,253)
Net Decrease in Cash and Cash Equivalents	(13,906)
Cash and Cash Equivalents Beginning of Year	9,746
Cash and Cash Equivalents End of Year	$ (4,160)

Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating (Loss)	$	(42,472)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Depreciation		5,034
(Increase) Decrease		
Accounts Payable		21,858
Intergovernmental Payable		(13,273)
Loans from Schools		(4,387)
Loans to Schools		6,800
Net Cash Provided by (Used in) Operating Activities	$	(26,440)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE ENTITY

Phoenix Village Academy Primary - 1 (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through the sixth grade. The Academy qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy, 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 may 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 for a period of five years commencing on June 26, 1999. The Sponsor is responsible for evaluation the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

As of July 1, 2005 the Academy's sponsoring organization was the Buckeye Community Hope Foundation. The Academy signed a contract with Ashe' Culture Center (the Sponsor) to operate for a period of June 30, 2006 through April 14, 2009. (See Note 12)

The Academy has entered into a management contract with Greater Educational Services Centers, LLP, to conduct most of its functions. (See Note 13)

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.

On December 18, 2008, the Sponsor ceased operations of the Academy, due to the decline in enrollment.

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

The Academy'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. 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 coast (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. 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 the Academy and its Sponsor requires a budget to be adopted annually, and be reviewed on a monthly basis.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. The Academy has no investments.

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 theses estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Fixed 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. Fixed assets were $64,832, as of June 30, 2009 with accumulated depreciation of $19,100. Deprecation of fixed assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

Asset	Useful Life
Furniture and Equipment	5 years
Computers	7 years

The Academy has an asset capitalization threshold policy of $1,000. (See Note 4)

G. Intergovernmental Revenues

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

The Academy also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs the Academy received $162,630 for the fiscal year ended June 30, 2009.

H. Compensated Absences

The Academy does not record a liability for compensated absences because its policy is not to payout accumulated leave balances 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 the period end, accounts payable was $31,908.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Academy 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 the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy 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. The Academy 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 the Academy. For the Academy, 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 the Academy. Revenue and expenses not meeting this definition are reported as non-operating.

M. Advances to/from Schools

Phoenix Village Academy Primary 1, Phoenix Village Academy Primary 2 and Phoenix Village Academy Secondary 1 are considered a “family of schools”. These academies have the same educational philosophy, methodology and provide continuity in the students’ educational career, from the primary to the secondary buildings. Charter schools traditionally are underfunded and rely primarily on state foundation, and state and federal grants to finance operations. From time to time, the academies experience cash flow shortages. These academies advance cash to each other to ensure there is sufficient cash flow to meet payroll and operational expenses. This activity is reported in the Statement of Net Assets as “Advance from Schools” for the academy receiving cash and advances academy reflects an “Advance to Schools”. These advances are collectable.

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 School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000, per qualifying account. At June 30, 2009, the book amount of the School’s deposits was negative $(4,160) and the bank balance was negative $(521).

The Academy 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 the Academy 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, 2009, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the (FDIC) up to $100,000. Deposits in excess of $100,000 are secured by pooled collateral. The School had no investments.

4. LOANS TO SCHOOLS

During the period of September 14, 2006 to June 30, 2007, the former treasurer loaned $6,200 to the Phoenix Village Academy- Primary 2 and $5,000 to Phoenix Village Academy- Secondary 1 from the Academy’s accounts.

In fiscal year 2008, additional loans were issued to Phoenix Village Academy Secondary -1 in the amount of $7,000, for payroll expenses.

In fiscal year 2009, Phoenix Village Academy Secondary – 1 repaid a total of $6,800 of prior year loans.

	Loans To Schools 6/30/2008	Additions	Reductions	Loans To Schools 6/30/2009
To Phoenix 2	$ 6,200	$ -	$ -	$ 6,200
To Phoenix S1	12,000	-	6,800	5,200
Total Advance To	$ 18,200	$ -	$ 6,800	$ 11,400

There are no re-payment schedules or contractual agreements governing the transactions. Payment shall be made as monies are available. The aforementioned has not been repaid at June 30, 2009 and is recorded in the Statement of Net Assets as Loans to Schools of $11,400.

5. CAPITAL ASSETS AND DEPRECIATION

For the fiscal year ended June 30, 2009, the Academy's capital assets consisted of the following:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
Capital Assets Being Depreciated:				
Computer	$ 33,766	$ -	$ -	$ 33,766
Equipment and Furniture	31,066	-	-	31,066
Total Capital Assets Being Depreciated	64,832	-	-	64,832
Less Accumulated Depreciation:				
Computer	(6,078)	(3,037)	-	(9,115)
Equipment and Furniture	(7,988)	(1,997)	-	(9,985)
Total Accumulated Depreciation	(14,066)	(5,034)	-	(19,100)
Net Total Capital Assets	$ 50,766	$ (5,034)	$ -	$ 45,732

6. INTERGOVERNMENTAL PAYABLE

The Academy has recognized on its Statement of Net Assets an "Intergovernmental Payable" for the amount of State Aid directly related to FTE, estimated to be repaid by the Academy to the Ohio Department of Education (ODE) based on the difference in the amount the Academy actually received versus the amount earned through student FTE enrollment as determined at the end of the year. A payable reflects that the Academy was funded on a higher estimated enrollment figure throughout the year than what the actual FTE enrollment figure was calculated to be at year-end. At June 30, 2009, the amount of "Intergovernmental Payable" was $6,106. (See Note 11)

7. EDUCATIONAL FACILITY LEASE

The Academy entered into a lease with ATEC, LLC for a period of August 1, 2007 to July 31, 2008 to occupy the premises located 760 E. Archwood for an educational facility. The Academy is obligated to pay $500 per month plus $102 per student, not to exceed $6,110, or 55 students. At the end of the lease period, the Academy maintained a month to month tenancy. The Academy paid ATEC, LLC $27,700 for the period of July 1, 2008 through June 30, 2009, reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets, as part of Purchase Services.

8. LOANS FROM SCHOOLS

During the period of September 14, 2006 through June, 2007, the Academy's payroll and fringe benefits expense of $36,489 was paid for by Phoenix Village Academy – Primary 2 and the Academy repaid $20,000.

During fiscal year 2008 an additional $6,800 was loaned to the Academy from Phoenix Village Academy – Primary 2.

8. LOANS FROM SCHOOLS (Continued)

LED Consulting, Inc loaned the Academy $3,049 during the fiscal year to finance payroll expenses for the year. The loans reflected on the Statement of Net Assets are the sum of the monies owed by the Academy to Phoenix Village Academy – Primary 2, $18,902.

The table below details the Advances from Schools activity for the fiscal year.

	Loans From Schools 6/30/2008	Additions	Reductions	Loans From Schools 6/30/2009
From Phoenix Primary 2	$ 23,289	$ 2,000	$ 6,387	$ 18,902
LED Consulting, Inc.	-	3,049	3,049	$ -
Total Advance From	$ 23,289	$ 5,049	$ 9,436	$ 18,902

9. RISK MANAGEMENT

A. Property & Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the Academy contracted with Pinkney Perry Insurance Company for property and general liability insurance. The Academy also had a treasurer bond from Hanover Insurance.

B. Workers' Compensation

The Academy 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.

10. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System (SERS Ohio)

Plan Description – The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

10. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. School Employees Retirement System (SERS Ohio) (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. 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 by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were $3,635, $8,792 and $4,416, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description – The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

10. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS Ohio)

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008 and 2007 were $5,577, $10,187 and $10,559 respectively, of which 100% has been contributed.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

11. DEFINED BENEFIT PENSIONS PLANS

A. School Employee Retirement Systems

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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 premium or the current premium. The Medicare Part B premium for fiscal year 2009 was $96.40; SERS' reimbursement for retirees was $45.50.

11. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. School Employee Retirement Systems (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2009, the actuarial required allocation is .75 percent The Academy's contributions for the years ended June 30, 2009, 2008 and 2007 were $195, $414, and $208.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For the fiscal year June 30, 2009, the minimum compensation level was established at $35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. . The Academy's contributions assigned to health care for the years ended June 30, 2009, 2008 and 2007 were $1,085, $2,625, and $1,373 respectively, of which 100% has been contributed.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources.

11. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $398, $728, and $812 respectively all of which has been contributed for all fiscal years.

12. CONTINGENCIES

A. Grants

The Academy 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 the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

B. Litigation

The Academy was party to a legal proceeding seeking damages generally incidental to its operations. The original claim was for $133,000 against two other academies and this Academy. A settlement was reached among the parties on requiring the aforementioned to pay $50,000 in damages. The Academy's share of the settlement is $16,650. This amount has not been remitted and is included in Accounts Payable in the Statement of Net Assets.

There are currently no matters in litigation with the Academy as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy did have a review for the period of September 14, 2006 through June 30, 2007 which resulted in $30,684 being owed to the Ohio Department of Education. At June 30, 2009, the Academy owed $6,106. This amount is reported in the Statement of Net Assets as Intergovernmental Payable. (See Note 5)

A review for the period of July 1, 2008 through December 18, 2008 has not been performed as of June 30, 2009.

13. SPONSORSHIP-ASHE' CULTURE CENTER, INC.

The Academy contracted with Ashe' Culture Center Inc. as its sponsor effective June 30, 2006. The Academy pays the Sponsor three percent of State Aid. Total fees expense for the period July 1, 2008 to June 30, 2009 was $3,521. The Sponsor is to provide oversight, monitoring and technical assistance to the Academy.

Due to the decline in enrollment the Sponsor requested the Academy cease operations. The Academy closed on December 18, 2008.

14. MANAGEMENT COMPANY- GREATER EDUCATIONAL SERVICES CENTER, LLP

The Academy entered into a Management Agreement (Agreement) with Greater Educational Service Center, LLP (Management, Co). The Agreement's term runs through April 14, 2009. Substantially all functions of the Academy have been contracted to the Management, Co. The Management, Co. is responsible and accountable to the Board of Trustees for the administration, day-to-day operations and special projects. Per the contract, the Academy is to pay three percent of its "general operating revenue" (State Aid) for these services. During the period ended, the Academy paid $1,683 in management fees under this Agreement, and recorded a payable of $2,783 for fees unpaid.

15. PURCHASE SERVICES

For the period of July 1, 2008 through June 30, 2009, the Academy made the following purchase services commitments.

	2009
Professional and Technical Services	53,694
Property Services	22,453
Utilities	2,103
Communications	160
Contractual Trade Services	42,245
Pupil Transportation	250
	$120,905

16. TAX EXEMPT STATUS

The Academy has filed for status as an exempt organization under Internal Revenue Code Section 501(c)(3). As of June 30, 2009, the Internal Revenue Service has not yet granted this exemption. Should the Academy fail to obtain federal tax-exempt status, it will be subject to federal income tax, the effect of which has not been determined.

17. RELATED PARTY TRANSACTIONS

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

The Academy paid $4,570 including $3,521 for sponsorship fees to Ashe Cultural Center, Inc. to purchase computers and other technical equipment; refine the school program design; conduct staff development; purchase furniture, office equipment, etc. The wife and daughter of the CEO of Ashe Cultural Center, Inc. served on the Board of Trustees of the Academy. In addition, the wife of the CEO of Ashe Cultural Center, Inc. was the COO/CFO of Ashe Cultural Center, Inc. The Academy paid $1,950 to the daughter of the CEO of Ashe Cultural Center, Inc.

A member of the Board of Governors Dr. Jorethia Chuck performs the psychological evaluations for the students of the Phoenix Village Academy Primary 1 School.

Dionne Whitaker prepares the lesson plan and reviews as well as in-service training for the teachers of the Phoenix Village Academy Primary 1 School.

DeShawn King, the daughter of Dr. Whitaker, performs administrative support services for the Phoenix Village Academy Primary – 1.

Additionally, the sponsor loaned funds to the academy during their start up at 0% interest.

18. EMPLOYEE BENEFITS

The Academy provides medical, dental, vision, and life 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 employee depending on the terms of the agreement with the employee.

19. ACADEMY SUSPENSION

On December 18, 2008, the Sponsor suspended operations due to a decline in enrollment. After the suspension date the Academy received $7,454 in repayment of short term loans and federal and state grants. The Academy also spent $10,618 on various outstanding vendor invoices and repayment of short term loans.

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Mary Taylor, CPA
Auditor of State

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

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

To the Board of Trustees:

We were engaged to audit the financial statements of Phoenix Village Academy – Primary 1, Summit County, Ohio, (the Academy) for the year ended June 30, 2009, and have issued our report thereon dated October 27, 2010, in which we disclaimed an opinion upon the financial statements because we were unable to obtain sufficient evidence regarding the rights and obligations of the Academy's Foundation payment revenue of $148,843 or the completeness and accuracy of capital assets net of depreciation, depreciation expense, invested in capital assets net of related debt, accounts payable, cash and cash equivalents, and the Academy's legal counsel failed to respond to our inquiries concerning litigation claims and assessments. We also noted the Sponsor suspended operations of the Academy effective December 18, 2008. We further noted the Academy has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-004 and 2009-007 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

To the extent possible, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-008.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 27, 2010

SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

FINDING NUMBER 2009-001

Material Noncompliance/Material Weakness

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

The Academy's total recorded capital assets amounted to $45,732, net of accumulated depreciation; however, the Academy did not maintain required capital asset records to substantiate the amount.

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

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

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

FINDING NUMBER 2009-002

Material Noncompliance/Material Weakness

Developing and Implementing an Effective Monitoring Control System

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

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

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

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

The lack of effective monitoring controls has lead to the misallocation or misstatement of School funds, expenditure of funds contrary to the directives of the governing board and non-compliance with federal or state laws or regulations. (See Finding Numbers 2009-003 and 2009-008) This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations.

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

FINDING NUMBER 2009-003

Material Noncompliance/Material Weakness

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

During our testing of non-payroll expenditures, we noted 10 out of 44 transactions tested totaling $35,568 had no supporting documentation as noted below:

- $27,700 paid to the lessor of property utilized by the school. Although the Board was aware of the amount being paid, there was no support to document the payments were made in accordance with the lease agreement which required a calculation based on student attendance.

- $7,019 re-paid to other community schools for short-term loans; however, no support was maintained regarding these loans and repayment.

- $849 paid to the Treasurer for repayment of a short term loan made to the Academy; however, no support was maintained regarding the loan and repayment.

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

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

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

FINDING NUMBER 2009-004

Material Noncompliance/Material Weakness

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

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

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

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

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

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

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

7. The community school's base formula amount;

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

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

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

Since most State and Federal grants and entitlements are based on student attendance and socioeconomic status of students, we could not ascertain the accuracy of funding received. For the Academy this resulted in $148,843 of 2009 foundation receipts, which could not be verified that resulted in a disclaimer of opinion. In addition, there was no evidence the treasurer filed the required reports with the superintendent of public instruction.

FINDING NUMBER 2009-004 (Continued)

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

FINDING NUMBER 2009-005

Material Noncompliance

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

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

The following issues were noted during our audit of the June 30, 2009 Financial Statements:

- Dr. Kwa David Whitaker is the Chief Executive Officer of Ashe Culture Center, Inc. Ashe Culture Center, Inc. is the sponsor for the Academy. Dr. Jorethia L. Chuck is the wife of Dr. Kwa David Whitaker and served on the Board of Trustees of the Academy during the audit period. Ashe Culture Center, Inc. was paid a total of $4,572. $842 of this amount was paid by a check co-signed by Dr. Jorethia L. Chuck.

- Dionne Whitaker is the step-daughter of Dr. Jorethia L. Chuck. Dionne Whitaker was paid $1,950 for lesson plan reviews and in-service training for teachers. This check was co-signed by Dr. Jorethia L. Chuck.

- L.E.D. Consulting, Inc., the Academy's consultant made $3,049 in short term loans to the Academy, which the Academy later repaid.

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

FINDING NUMBER 2009-006

Material Noncompliance

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

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

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

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

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

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

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

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

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

We noted the following exceptions:

- The Board of Trustees did not approve or provide a student attendance policy that covered the period July 1, 2008 through December 18, 2008.

- The Board of Trustees did not approve or provide a student admission policy that covered the period July 1, 2008 through December 18, 2008.

FINDING NUMBER 2009-006 (Continued)

- The Academy did not provide documentation of liability insurance that covered the period July 1, 2008 through December 18, 2008.

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

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

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

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

FINDING NUMBER 2009-007

Material Noncompliance/Material Weakness

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

The Fiscal Officer did not prepare or submit a budget to the Board of Trustees for approval. Without a budget, the Board's ability to make informed financial decisions is reduced. Also, the Board of Trustee Minutes did not indicate the Board of Trustees received any financial reports during the period July 1, 2008 through December 18, 2008. Not reviewing and approving monthly reports demonstrates a lack of fiscal monitoring by the Board of Trustees. Unrecognized errors resulting in misstatements of the Academy's records occurred and were not timely detected as a result of not monitoring the monthly reports. (See Finding Number 2009-002)

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

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

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

FINDING NUMBER 2009-008

Material Noncompliance

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

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

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

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

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

- The Board did not meet during the fiscal year. The last meeting was February 21, 2008.

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

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

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

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

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

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

PHOENIX VILLAGE ACADEMY – PRIMARY 1
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	**Ohio Admin. Code Section 117-2-02(D)(4)(c)** - The Academy did not maintain detail capital asset records.	No	Not corrected. See Finding Number 2009-001.
2008-002	**Ohio Admin. Code Section 117-2-01(A) –** The Academy lacked effective monitoring controls	No	Not corrected. See Finding Number 2009-002.
2008-003	**Ohio Rev. Code Sections 3314.03(A)(11)(d) and 149.43(B)** - The Academy did not maintain support documentation for various expenditures.	No	Not corrected. See Finding Number 2009-003.
2008-004	**Ohio Rev. Code Sections 2921.42(A)(1) & (4) and 102.03(D)** – Various related party transactions occurred with public officials.	No	Not corrected. See Finding Number 2009-005.
2008-005	**Ohio Rev. Code Section 3313.64(J) –** The Academy could not provide attendance sheets to document enrollment.	No	Not corrected. See Finding Number 2009-004.
2008-006	**Ohio Rev. Code Section 3314.03(A)(6)** – The Board of Trustees did not approve or provide a student attendance policy. **Ohio Rev. Code Section 3314.03(A)(19)** – The Board of Trustees did not approve or provide a student admission policy. **Ohio Rev. Code Section 3314.03(A)(11)(B)** – The Academy did not provide documentation of liability insurance.	No	Not corrected. See Finding Number 2009-006.

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-007	**Phoenix Village Academy – Primary 1 Code of Regulations, Article V, Section 4 –** The Fiscal Officer did not prepare of submit a budget to the Board of Trustees for approval.	No	Not corrected. See Finding Number 2009-007.
2008-008	**Ohio Rev. Code Section 121.22 (C) –** Board minutes were not properly maintained.	No	Not corrected. See Finding Number 2009-008.
2008-009	**Cash Flow Statement and Basic Financial Statement Format** - Various errors were noted in financial statements.	Yes	Finding No Longer Valid.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

1. We noted the Board has not adopted an anti-harassment policy.

2. Since the Board has not adopted an anti-harassment policy, the Academy has not communicated the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Mary Taylor, CPA
Auditor of State

October 27, 2010

Mary Taylor, CPA
Auditor of State

PHOENIX VILLAGE ACADEMY – PRIMARY 1

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 9, 2010

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