



Mary Taylor, CPA
Auditor of State

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY
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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Village Academy S1
Cuyahoga County
3120 Euclid Avenue
Cleveland, Ohio 44115

To the Board of Trustees:

We were engaged to audit the accompanying basic financial statements of the Phoenix Village Academy S1, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

The Academy did not provide supporting documentation for non-payroll expenditures from July 1, 2006 through December 31, 2006. Consequently, we were unable to verify the accuracy, completeness, and valuation of the amounts reported as expenditures for non-payroll purposes for this time period.

The Academy did not provide records of capital assets owned, failed to maintain original supporting documentation which itemized and identified capital assets purchased and failed to record deletions and depreciation.

The Academy failed to present accounting system reports to support the amounts presented on the accompanying financial statements.

The Academy did not provide employment contracts or board approved salaries.

The Academy provided board minutes for only two meetings of the Board of Trustees during the audit period.

The Academy did not provide bank reconciliations which supported the amounts reported as cash and cash equivalents on the Statement of Net Assets. The financial statements present a cash balance of \$14,631. However, evidence supports a cash deficit of (\$36,124). This overstatement of cash would also represent an overstatement of \$50,755 in equity.

Some note disclosures were incomplete. The Cash Flow Statement was reported in the indirect format rather than the direct format as prescribed by the Generally Accepted Accounting Principles.

Since the Academy did not provide the evidence described in paragraphs two through seven above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion of these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009, 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 engagement.

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. Since we were unable to express an opinion on the basic financial statements, we could not apply certain limited procedures to the required supplementary information. We did not audit the information and express no opinion on it. However, we noted that certain amounts that should have been derived from the basic financial statements did not agree to the amounts reported in the statement.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 23, 2009

Phoenix Village Academy S-1
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of the Phoenix Village Academy's S-1 (the Academy's) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. 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 reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

The School received permission to open the school in 2006, but the school did not open until November 2006. The school only received startup funding in September of 2005 and this was only funding Phoenix Village Academy S-1 received in fiscal year 2005.

Financial Highlights

- In total, net assets were \$91,066.85 as of June 30, 2007.
- The increases in total assets were \$91,484.11.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial 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. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Phoenix Village Academy S-1
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Statement of Net Assets

The statement of net assets answers the questions, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when cash is received or paid.

This statement reports the Academy's net assets and changes in them. The change in net assets provides the reader a tool in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

Table 1 provides a summary of the Academy's net assets for fiscal years 2006 and 2007.

	<u>2006</u>	<u>2007</u>
Current Assets	\$- 24,836.88	\$29,654.22
Capital Assets, Net	<u>\$ 28,716.97</u>	<u>\$65,709.98</u>
Total Assets	\$ 3,880.09	\$95,364.20
Current Liabilities	<u>3,880.09</u>	<u>\$4,297.35</u>
Total Liabilities	3,880.09	\$4,297.35
Net Assets:		
Invested in Capital Assets, net	3,880.09	\$65,709.98
Unrestricted	<u>(0.00)</u>	<u>\$25,356.87</u>
Total Net Assets	<u>\$ 3,880.09</u>	\$95,364.20

The positive portion of the Academy's total assets reflects its investment in capital assets net of related debt. The Academy uses capital assets to provide services; consequently, these assets are not available for future spending.

Phoenix Village Academy S-1
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Net Assets of the Academy are \$95,364.20, but unrestricted net assets reflect a negative balance of \$25,356.87. The increase in net assets was the result of fixed assets being purchased with the federal grant.

Phoenix Village Academy S-1
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2005 and 2007, as well as revenues and expenses.

Table 2
Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Foundation payments	\$ 225,638	
Other Operating Revenues	\$250	
Non-Operating Revenues:		
Federal and State subsidies	\$197,000	\$150,000
Other	<u>\$30,000</u>	
Total Revenues	\$ 425,638	
Operating Expenses:		
Salaries & Wages	\$38,402	\$82,781
Fringe Benefits	\$35,634	
Purchased Services	\$253,935	
Materials & Supplies	\$48,424	\$17,737
Depreciation	\$8,960	\$29,000
Capital Outlay	\$6,739	
Non-Operating Expenses:		
Other Objects	<u>\$729</u>	<u>\$68</u>
Total Expenses	\$392,823	\$129,586
Non Operating Revenue	\$68,031	0
Interest Expense	<u>0</u>	<u>\$47.95</u>
Change in Net Assets	\$ 100,876	\$20,463

The Academy received \$ 150,000 in federal grants to improve the schools through staff training, purchase of capital assets, the purchase of support services and professional development services. This was the first academic year the school was open and therefore there are no prior and subsequent year comparisons.

Phoenix Villiage Academy S1
Assets of Net Assets
As of June 30, 2007

	Jun 30, 07
ASSETS	
Current Assets	
Checking/Savings	
10000 · General Fund (464073538)	5,836.51
10001 · Federal Fund	5,129.01
10003 · Payroll Account	3,185.96
10004 · Petty Cash (46044467447)	479.70
Total Checking/Savings	14,631.18
Other Current Assets	
11002 · Short term loan to Phoenix P2	14,550.54
1204 · Deposits & Escrows	472.50
Total Other Current Assets	15,023.04
Total Current Assets	29,654.22
Fixed Assets	
1650 · Equipment	
165002 · Instructional Equipment	74,669.98
Total 1650 · Equipment	74,669.98
1700 · Accumulated Depreciation	
170005 · Equipment	-8,960.00
Total 1700 · Accumulated Depreciation	-8,960.00
Total Fixed Assets	65,709.98
TOTAL ASSETS	95,364.20
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts payable	1,076.80
Total Accounts Payable	1,076.80
Other Current Liabilities	
2350 · Intergovernmental Payables	
235002 · SERS Withholding & Match	220.55
Total 2350 · Intergovernmental Paya...	220.55

Phoenix Villiage Academy S1
Assets of Net Assets
As of June 30, 2007

	Jun 30, 07
Total Other Current Liabilities	220.55
Total Current Liabilities	1,297.35
Long Term Liabilities	
2500 · Notes Payable Ashe thru P2	3,000.00
Total Long Term Liabilities	3,000.00
Total Liabilities	4,297.35
Equity	
280001 · Opening Bal Equity	58,236.69
280002 · Retained Earnings	-68,031.00
Net Income	100,861.16
Total Equity	91,066.85
TOTAL LIABILITIES & EQUITY	95,364.20

Phoenix Villiage Academy S1
Statement of Activity
July 2006 through June 2007

	<u>Jul '06 - Jun 07</u>
Ordinary Income/Expense	
Income	
3100 · Unrestricted Grants In Aid	196,999.95
3200 · Restricted Grant in Aid	3,000.00
4200 · Restricted Grants In Aid	225,637.78
Total Income	<u>425,637.73</u>
Expense	
100 · Salaries and Wages	38,402.17
200 · Benefits	35,634.23
400 · Purchased Services	253,934.93
500 · Materials & supplies	48,424.18
600 · Capital Outlay	6,738.73
9000000 · Depreciation & Amortization	8,960.00
800 · Other Objects	728.90
Total Expense	<u>392,823.14</u>
Net Ordinary Income	32,814.59
Other Income/Expense	
Other Income	
9600000 · Non-Operating Revenues	68,031.00
Total Other Income	68,031.00
Other Expense	
9702 · Note Interest	-15.57
Total Other Expense	<u>-15.57</u>
Net Other Income	<u>68,046.57</u>
Net Income	<u><u>100,861.16</u></u>

Phoenix Villiage Academy S1
Statement of Activity
 July 2006 through June 2007

Jul '06 - Jun 07

Ordinary Income/Expense

Income

3100 · Unrestricted Grants In Aid

3110 · State Funding

311001 · Formula Kindergarten	61,727.82
311005 · Professional Development Aid	100.69
311006 · All Day Kindergarten	67,672.58
311007 · Dropout Preventiona Aid	611.09
311008 · Classroom Size Reduction	19,019.89
311009 · Community Outreach Aid	628.46
311011 · Special Education	4,144.88
311013 · Parity Aid	6,027.03
3110 · State Funding - Other	37,067.51

Total 3110 · State Funding 196,999.95

Total 3100 · Unrestricted Grants In Aid 196,999.95

3200 · Restricted Grant in Aid

3219 · EMIS

3,000.00

Total 3200 · Restricted Grant in Aid 3,000.00

4200 · Restricted Grants In Aid

4120 · UnRestricted Grants-in-Aid(Fed)

225,637.78

Total 4200 · Restricted Grants In Aid 225,637.78

Total Income 425,637.73

Expense

100 · Salaries and Wages

6560 · Payroll Expenses

293.47

100 · Salaries and Wages - Other

38,108.70

Total 100 · Salaries and Wages 38,402.17

200 · Benefits

2411190 · Health Ins.

1,240.74

2111190 · STRS-Employers' Share

11,930.00

2121190 · STRS-Pickup

1,077.02

2212490 · SERS-Employers' Share

19,140.48

2222490 · SERS-Pickup

850.74

2491132 · Medicare

382.18

2812490 · Unemploymen

1,013.07

Total 200 · Benefits 35,634.23

400 · Purchased Services

1000840 · Dues & Memberships

332.50

4112290 · Instruction

58,333.63

Phoenix Villiage Academy S1
Statement of Activity
July 2006 through June 2007

	Jul '06 - Jun 07
4182490 · Professional & Technical	9,345.40
4182590 · Governance/Admin	21,000.00
4192290 · Support Services	22,220.50
4222720 · Trash removal	390.70
4232740 · Contract Repair & Maintenance	1,062.52
4252720 · Lease-School Site	13,924.74
4412790 · Telephone	577.80
4612490 · Printing & Publications	292.10
4623190 · Food Service Contract Services	1,985.70
4692490 · Other Contract Services	60,327.93
4992490 · Prof Development	58,131.00
4992491 · Safety	4,000.00
4992492 · Misc.	2,010.41
5200 · Facility Maintenance	
5200429 · Property insurance	0.00
Total 5200 · Facility Maintenance	0.00
Total 400 · Purchased Services	253,934.93
500 · Materials & supplies	
Support Services	11,781.03
5111130 · Instructional Supplies	5,776.80
5122490 · Office Supplies	67.80
5291190 · Textbooks	500.00
5902490 · Instruction	15,750.00
3100560 · Food, Supplies & Materials	12,816.55
5200570 · Janitorial Supplies & Materials	1,732.00
Total 500 · Materials & supplies	48,424.18
600 · Capital Outlay	
Instruction	6,558.81
600 · Capital Outlay - Other	179.92
Total 600 · Capital Outlay	6,738.73
9000000 · Depreciation & Amortization	
9000100 · Depreciation expense	8,960.00
Total 9000000 · Depreciation & Amortization	8,960.00
800 · Other Objects	
8000000 · Miscellaneous	728.90
Total 800 · Other Objects	728.90
Total Expense	392,823.14
Net Ordinary Income	32,814.59

Phoenix Villiage Academy S1
Statement of Activity
July 2006 through June 2007

	Jul '06 - Jun 07
Other Income/Expense	
Other Income	
9600000 · Non-Operating Revenues	
9701 · Other Non-Operating revenue	68,031.00
Total 9600000 · Non-Operating Revenues	68,031.00
Total Other Income	68,031.00
Other Expense	
9702 · Note Interest	-15.57
Total Other Expense	-15.57
Net Other Income	68,046.57
Net Income	100,861.16

Phoenix Villiage Academy S1
Statement of Cash Flows
 July 2006 through June 2007

	Jul '06 - Jun ...
OPERATING ACTIVITIES	
Net Income	100,861.16
Adjustments to reconcile Net Inco...	
to net cash provided by operations:	
11002 · Short term loan to Phoen...	-14,550.54
1204 · Deposits & Escrows	-472.50
20000 · Accounts payable	1,076.80
2350 · Intergovernmental Payabl...	220.55
Net cash provided by Operating Acti...	87,135.47
INVESTING ACTIVITIES	
1650 · Equipment:165002 · Instruct...	-74,669.98
1700 · Accumulated Depreciation:...	8,960.00
Net cash provided by Investing Acti...	-65,709.98
FINANCING ACTIVITIES	
280001 · Opening Bal Equity	61,236.69
280002 · Retained Earnings	-68,031.00
Net cash provided by Financing Actl...	-6,794.31
Net cash increase for period	14,631.18
Cash at end of period	14,631.18

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Phoenix Village Academy S-1
Notes to the Financial Statement
June 30, 2007

1. DESCRIPTION OF THE SCHOOL

Phoenix Village Academy S-1 (the School) 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 School 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 School's tax-exempt status.

The School, 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. The School was approved for operation under a contract with Ohio State Board of Education (the Sponsor) for a period of five years commencing on June 26, 1999. The Sponsor is responsible for evaluation the performance of the School 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 School's sponsoring organization is the Buckeye Community Hope foundation.

The School operates under the direction of a five-member Board of Governance. 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 School 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 School's accounting policies are described below.

A. Basis of Presentation

Accrual Basis Accounting is used to account for operations. A statement of activity and a statement of cash flow are included.

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 in the School and its Sponsor requires monthly spending plans for subsequent fiscal years to be prepared and submitted annually. In addition, the contract between the School and its Sponsor requires a budget to be adopted annually, and be reviewed on a monthly basis.

The School did not follow budgetary procedures outlined in the contract between Phoenix Village Academy S-1 and the Ohio Department of education (ODE).

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School desegregates its cash.

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. Fixed 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. During 2006 the school purchased \$ 74,669.98 in fixed assets including computers.

Depreciation of fixed assets is provided utilizing the straight-line method over the estimated useful lives of the assets are follows:

Equipment and furniture 5 years

It is the School's policy to expense items which cost less than \$1,000.

G. Intergovernmental Revenues

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

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

H. Compensated Absences

The School 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

As of June 30, 2007, there was \$ 1,076.80 accounts payables.

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

2. RISK MANAGEMENT

K. Property & Liability

The School 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 2007, the School contracted with Pinkney Perry Insurance Company for property and general liability insurance. The school also had a treasurer bond from Hanover Insurance.

L. Workers' Compensation

The School 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.

3. DEFINED BENEFIT PENSIONS PLANS

State Teachers Retirement System of Ohio (STRS Ohio)

The School participates in the School Teachers Retirement System (STRS), a cost-sharing multiple-employer retirement system. STRS Ohio provides retirement and disability benefits to members and death survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may obtain a copy by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows member 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 is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 9.3 percent of their annual covered salaries. The School 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

School Employees Retirement System (SERS)

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required

supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute an actuarially determined rate. The rate for the fiscal year 2007 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The obligations requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

4. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees,

prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the State Retirement Board (the Board) has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System.

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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 S1
Cuyahoga County
3120 Euclid Avenue
Cleveland, Ohio 44115

To the Board of Trustees:

We were engaged to audit the basic financial statements of the Phoenix Village Academy S1, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2007 and have issued our report dated November 23, 2009. Our report indicated that the Academy failed to provide bank reconciliations which supported the amounts reported as cash and cash equivalents on the Statement of Net Assets, failed to provide supporting documentation for half of all non-payroll expenditures, failed to provide records of capital assets including deletions and depreciation owned by the Academy, failed to prepare accounting system reports to support the amounts presented in the financial statements, failed to provide employee contracts or board approved salaries, failed to provide the Board of Trustee minutes except for two meetings, overstated cash and equity by \$50,755 and failed to provide a complete set of note disclosures and used the indirect method of reporting cash flows rather than the direct method generally accepted accounting principles requires. Therefore, we did not express an opinion.

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 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. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-008 through 2007-010 and 2007-013 through 2007-015 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2007-008 through 2007-010 and 2007-014 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated November 23, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001 through 2007-013

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 23, 2009.

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



Mary Taylor, CPA
Auditor of State

November 23, 2009

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
FINDING NUMBER	2007-001

Finding for Recovery

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

During fiscal year 2007, the Academy issued two bank checks made payable to “cash” totaling \$557.90. The Academy did not provide supporting documentation, such as vendor invoices, for this payment. Based on this lack of this supporting documentation we were unable to determine if the expenditures were for a proper public purpose. Dionne Whitaker authorized and endorsed one of these checks on 2/28/07 in the amount of \$411.15

The Academy’s failure to maintain adequate support 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.

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 this 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 liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen 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 Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dionne Whitaker for the amount of \$411.15 and in favor of Phoenix Village Academy S1.

This finding has been repaid under audit.

FINDING NUMBER	2007-002
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Finding for Recovery

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

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-002
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Finding for Recovery (Continued)

During fiscal year 2007, the Academy issued two bank checks made payable to “cash” totaling \$557.90. The Academy did not provide supporting documentation, such as vendor invoices, for this payment. Based on this lack of supporting documentation for the checks we were unable to determine if the expenditures were for a proper public purpose. Jorethia Chuck authorized and endorsed one of these checks on 3/15/07 in the amount of \$146.76

The Academy’s failure to maintain adequate support 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.

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 this 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 liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen 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 Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jorethia Chuck for the amount of \$146.76 and in favor of Phoenix Village Academy S1.

This finding has been repaid under audit.

FINDING NUMBER	2007-003
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Finding for Recovery

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

During fiscal year 2007, the Academy issued the following payments to the ASHE Culture Center which were unsupported and the Academy did not provide supporting documentation for these payments.

PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

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

FINDING NUMBER	2007-003
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Finding for Recovery (Continued)

1. On December 15, 2006, check number 1055 in the amount of \$3,360.06 was issued and authorized by Marsha Pettus, Treasurer, which was unsupported and we could not determine the purpose of the expenditure.
2. On February 15, 2007, check number 1017 in the amount of \$2,169.98 was issued and authorized by Edward Dudley, Treasurer, and Dionne Whitaker, authorized check signatory, as payment of the Sponsor fee due. Included in this check was \$1,422.42 which represented the February sponsor fee which had been previously paid.
3. On February 23, 2007, check number 1003 in the amount of \$675.00 was issued and authorized by Dionne Whitaker and Jorethia Chuck, authorized check signatories, which was unsupported and we could not determine the purpose of the expenditure.
4. On February 23, 2007, check number 1004 in the amount of \$825.00 was issued and authorized by Dionne Whitaker and Jorethia Chuck, authorized check signatories, which was unsupported and we could not determine the purpose of the expenditure.
5. On June 15, 2007, check number 5, paid from the payroll account, in the amount of \$1,500 was issued and authorized by Edward Dudley, Treasurer, as payment to ASHE Culture Center. This check was unsupported and we could not determine the purpose of this expenditure.

Without appropriate support documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected.

Additionally, 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 liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-003
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Finding for Recovery (Continued)

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against ASHE Culture Center, Sponsor, and Edward Dudley, Treasurer, and Dionne Whitaker, authorized signatory, jointly and severally, in the amount of \$1,422.42 and in favor of Phoenix Village Academy S1, and against ASHE Culture Center, Sponsor, and Dionne Whitaker, authorized signatory, and Jorethia Chuck, authorized signatory, jointly and severally, in the amount of \$1,500 and in favor of Phoenix Village Academy S1, and against ASHE Culture Center, Sponsor, and Edward Dudley, Treasurer, jointly and severally, in the amount of \$1,500 and in favor of Phoenix Village Academy S1 and against ASHE Culture Center and Marsha Pettus, Treasurer, jointly and severally, in the amount of \$3,360.06 and in favor of Phoenix Village Academy S1.

FINDING NUMBER	2007-004
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Finding for Recovery

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

During fiscal year 2007, the Academy issued the following payments to the Greater Educational Services Center which were unsupported and the Academy did not provide supporting documentation for these payments.

1. On January 25, 2007, check number 1004 in the amount of \$712.50 was issued and authorized by Edward Dudley, Treasurer, for services performed at the Academy. Of the total amount \$142.50 was unsupported. No copy of the check was provided in order to determine the authorized signature.
2. On March 31, 2007, check number 1069 in the amount of \$7,917.54 was issued and authorized by Edward Dudley, Treasurer. Of the total amount \$5,000 was unsupported and we could not determine the purpose of the expenditure.
3. On June 3, 2007, check number 1089 in the amount of \$1,804.80 was issued and authorized by Edward Dudley, Treasurer. Of the total amount \$116.55 was an overbilled amount for management fees.

The Academy's failure to maintain adequate support 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.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-004
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Finding for Recovery (Continued)

Additionally, 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 liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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 Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Greater Educational Services Center and Edward Dudley, Treasurer, jointly and severally, in the amount of \$5,259.05 and in favor of Phoenix Village Academy S1.

FINDING NUMBER	2007-005
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Finding for Recovery

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

On November 20, 2006, the Academy issued check number 1503 made payable to Dr. Kwa David Whitaker in the amount of \$8,000. Of the total amount, \$4,500 was not adequately supported. Based on this lack of supporting documentation for the check we were unable to determine if the expenditure was for a proper public purpose.

The Academy’s failure to maintain adequate support 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.

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 this 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 liable for the loss incurred should such funds or property be fraudulently obtained by another, converted,

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-005
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Finding for Recovery (Continued)

misappropriated, lost or stolen 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 Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dr. Kwa David Whitaker in the amount of \$4,500 and in favor of Phoenix Village Academy S1.

FINDING NUMBER	2007-006
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Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management's Discussion and Analysis;
- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and
- Notes to the financial statements as prescribed by GAAP.

The Academy did not file its financial statements for the year ended June 30, 2007.

We recommend the Academy organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Academy may be assessed a late filing penalty.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-007
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Five Year Forecast

Ohio Revised Code Section 3314.03(A)(15) requires the Academy prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specify the total estimated per pupil expenditure amount for each year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Revised Code.

Ohio Admin. Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October thirty-first of each fiscal year, a board of education shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. Subsection (F) states that a board of education shall update its five-year projection between April first and May thirty-first of each fiscal year and submit it to the department of education.

Although we had evidence of the development of a five year forecast, the projected per pupil expenditure amount and the yearly base formula used for funding calculations were missing. Additionally, a five year forecast was not submitted to the Ohio Department of Education prior to the deadline date of October 31, 2006, nor was there evidence that an updated five year forecast was submitted to the Ohio Department of Education before the May 31, 2007 deadline.

Without updating of the forecast, the Board does not have the necessary information to develop a financial plan for the school year. It is also possible the Academy could authorize the expenditure of funds in excess of the estimated amount available.

We recommend the Academy review the requirements of Ohio Revised Code Section 3314.03 and Ohio Admin. Code Section 3301-92-04 and take the necessary steps to meet these requirements, including obtaining the approval of the governing board and reviewing the appropriateness of the amounts included in the estimated budget.

FINDING NUMBER	2007-008
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Capital Assets

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, asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

The Academy did not make available accounting records of capital assets. For this reason we were unable to determine if the following records had been developed and maintained:

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-008
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Capital Assets (Continued)

- A capital asset accounting system, which was comprised of a complete capital asset listing by location, with tag or other identification numbers and other pertinent information;
- Procedures to record assets as additions when purchased, deletions when disposed of during the year and depreciation;
- A listing of capital assets purchased with federal funds to ensure that items purchased with federal funds are used for that specific purpose; and
- Invoices and supporting documentation.

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 be reported.

To maintain adequate safeguards over capital assets and to reduce the risk that 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, if any. 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 tag number, location of the asset, description of the item, cost, acquisition date, depreciation, 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.

FINDING NUMBER	2007-009
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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.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-009
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Developing and Implementing an Effective Monitoring Control System (Continued)

Some effective monitoring controls 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.

The lack of effective monitoring controls could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board of Trustees, 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.

We recommend that 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 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.

FINDING NUMBER	2007-010
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Condition of Accounting Records

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 Administrative Code.

PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-010
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Condition of Accounting Records (Continued)

Management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted that the records consisted of the following:

- Financial statements were incomplete;
- The files of canceled checks (electronic imagery) were incomplete;
- Supporting documentation for non-payroll expenditures for the first six months of the fiscal year were not provided;
- No records existed of Board approval for employee wage rates and employee contracts;
- Only one month of payroll ledgers;
- Capital asset records did not exist; and
- There was no evidence of the Board reviewing or approving the financial activity of the Academy.

Management failed to provide financial and support documentation; consequently, we were unable to analyze, review, inspect for completeness, verify the accuracy of, or determine the existence of the Academy's financial records.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of theft and other fraudulent activities.

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.

FINDING NUMBER	2007-011
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Recording and Maintaining Board Minutes

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.

The Academy submitted evidence of only two board meetings during the year. No other evidence was provided that the Academy had more than two board meetings during the year.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-011
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Recording and Maintaining Board Minutes (Continued)

Since the minute record is the voice of the Board, failure to adequately detail all actions taken by the Board allows for questions of actions taken to go unanswered and could result in the Board not being credited with fully complying with requirements of the Ohio Revised Code and other state and/or federal laws, rules and regulations. The minutes, once accepted by a vote of the Board should be signed by the proper officials.

We recommend the Board obtain a permanent minute record book for the minutes to be recorded in. Minutes should be entered in this book in chronological order and indexed. All formal actions (resolutions, rules, policies, appointments, resignations, bid openings, awarding of contracts, etc.) should be recorded in the minute record book and in sufficient detail to support compliance with laws, rules, and regulations. We also recommend the Board meet on a monthly basis.

FINDING NUMBER	2007-012
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Salary Approval

The contract between the Academy and the Sponsor provides employment of the teachers and non-teaching personnel, by the Academy, shall be as provided in Ohio Rev. Code Section 3314.10. Ohio Rev. Code Section 3314.10 (A)(1) states that the governing authority of any community school established under this chapter may employ teachers and non-teaching employees necessary to carry out its mission and fulfill its contract. Per Exhibit 3 of the contract between the Academy and the sponsor, by a majority of votes, the Board shall approve employment and the initial salary of all employees.

There was no supporting documentation that the Academy approved employees' salaries for the fiscal year.

Without appropriate documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose, or were for the rate or amount the Board intended. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances.

We recommend the Board approve all employee contracts in accordance with the contract between the Academy and the Sponsor.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-013
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Conflict of Interest

Ohio Revised 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 a 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 Revised 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 Revised 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 engagement:

- Dr. Kwa David Whitaker is the Chief Executive Officer of Ashe Culture Center, Inc. Ashe Culture Center, Inc. is the sponsor for the Academy. Dionne Whitaker is the daughter 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 \$83,523. Of this amount, \$80,163 was co-signed by Dionne Whitaker. Jorethia Chuck co-signed with Dionne Whitaker on checks payable to Ashe Culture Center, Inc. totaling \$1,500. Additionally, Dr. Kwa David Whitaker was paid a total of \$8,000.
- Exceptional Psychological Services is owned by Dr. Jorethia Chuck's spouse, who served on the Board of Trustees. Exceptional Psychological Services was paid \$13,500 after July 1, 2006 while Dr. Jorethia Chuck served on the Board of Trustees.
- Undiscovered Star is owned by Bernard Pettus, who is the husband of former Treasurer of the Academy, Marsha Pettus. Undiscovered Star was paid \$600 during the audit period.
- Dionne Whitaker co-signed a check for \$192.50 payable to her sister, Deshawn Adams.

These matters will be referred to the Ohio Ethics Commission.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-014
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Accurate Balances as of the Balance Sheet Date

The cash balance plus outstanding checks must agree with the depository balance, investments, plus cash-in-hand and in-transit deposits.

The Treasurer did not reconcile each month; therefore, the Academy's fund balance did not always agree with the bank balance. The Treasurer also did not always reconcile the payroll clearance account.

Management is responsible for maintaining records, which accurately record the financial position of the Academy. We were unable to reconcile the bank accounts to the financial statements for fiscal year ending June 30, 2007. Furthermore, we were provided with incomplete financial statements for fiscal year 2007. The following accounts were not reconciled for the fiscal year ended June 30, 2007:

Key Bank Account	Financial Statements 2007	AOS Reconciliation	Variance
General Operating	\$5,837	\$8,546	(\$2,709)
Federal	\$5,129	(\$45,369)	\$50,498
Payroll	<u>\$3,186</u>	<u>\$219</u>	<u>\$2,967</u>
	\$14,631	(\$36,124)	\$50,755

Without accurate and complete financial records and the preparation of complete financial statements, the financial position of the Academy cannot be determined. Also, in the absence of complete and accurate records, the Academy could experience losses, lose assets, and have debt amounts in excess of their ability to repay.

We recommend that accurate and complete records which exhibit true balances be maintained. The Treasurer should reconcile the fund balances with the bank balances monthly and any differences should be documented and investigated. If necessary, the sponsor and designated fiscal officer should read and study the available authoritative literature, consult with their sponsor, request guidance from the Ohio Department of Education, and develop a program of recordkeeping which will provide assurance of financial statement accuracy and integrity.

**PHOENIX VILLAGE ACADEMY S1
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2007-015
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Financial Reporting

Section 2200.102 of the Codification of Governmental Accounting and Financial Reporting Standards provides the minimum requirements for general purpose external financial reporting as follows:

- Management's Discussion and Analysis;
- Basic financial statements which include:
 - Statement of Net Assets;
 - Statement of Revenues, Expenditures, and Changes in Net Assets; and
 - Statement of Cash Flows.

The Academy failed to prepare complete and accurate financial statements for the period of time covered by this engagement. There were note disclosures that were missing. Many of the note disclosures that were presented incomplete. Furthermore, many of the amounts reported in the Management's Discussion and Analysis did not agree with the financial statements. The Cash Flow Statement was reported in the indirect format rather than the direct format as prescribed by the Generally Accepted Accounting Principles. These financial statements were required to be prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34 to be in conformity with Accounting Principles Generally Accepted in the United State of America.

We did not receive a direct response from school officials for the findings above.



Mary Taylor, CPA
Auditor of State

PHOENIX VILLAGE ACADEMY S 1

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 22, 2009