



Mary Taylor, CPA
Auditor of State

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Nia University Community School
Hamilton County
7030 Reading Road
Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

We were engaged to audit the accompanying basic financial statements of Nia University Community School, Hamilton County, Ohio (the School), 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 School's management.

Management has not provided a written representation letter, which is required by auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Due to the significance of the matter discussed in the preceding paragraph, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements of Nia University Community School, Hamilton County, Ohio as of June 30, 2007 and for the year then ended.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As described in Note 11, the School has a negative net asset balance of (\$88,168), an operating loss of (\$137,357), and a working capital deficit of (\$141,478) as of June 30, 2007 that raise substantial doubt about its ability to continue as a going concern. The School did not provide Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. The School did not present all disclosure and analysis required by accounting principles generally accepted in the United States of America. However, we did not audit the information and express no opinion on it.

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

October 16, 2009

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)**

The discussion and analysis of the NIA University Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School'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 School'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; however, because fiscal year 2007 is the first year of operation, comparative data is not available.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2007 are as follows:

- Net assets totaled \$(88,168).
- Total assets were \$93,374.
- Liabilities totaled \$181,842.
- Operating revenues equaled \$533,955 and non-operating revenue were \$49,189.
- Operating expenses amounted to \$671,312.

Using this Financial Report

This report consists of the MD&A, the basic financial statements, and notes to 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.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)**

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2007?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, and short-term and long-term using the accrual basis of accounting and 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 the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2007 (the School's first year of operation) as follows:

(Table 1)

Net Assets

	2007
Assets	
Current Assets	\$ 40,064
Capital Assets, Net	53,310
Total Assets	93,374
 Liabilities	
Current Liabilities	181,542
Total Liabilities	181,542
 Net Assets	
Invested in Capital Assets	53,310
Unrestricted	(141,478)
Total Net Assets	\$ (88,168)

Total assets were \$93,374 . Cash amounted to \$7,799 and Prepaid Assets amounted to \$32,265.

Total liabilities were \$181,542. Accounts payable equaled \$119,347, intergovernmental payable was \$35,740 and accrued wages and benefits equaled \$26,455.

The net impact was a decrease of net assets of \$88,168.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2007, as well as a listing of revenues and expenses.

	2007
Operating Revenues	
Foundation payments	\$395,885
Donations	113,203
Other	24,867
Total Operating Revenues	533,955
Operating Expenses	
Salaries	346,594
Purchased Services	249,405
Supplies and materials	55,370
Depreciation	10,045
Other	9,898
Total Operating Expenses	671,312
Operating (Loss)	(137,357)
Non-Operating Revenue and Expense	
Federal Restricted Grants	49,189
Total Non-Operating Revenues	49,189
Change in Net Assets	\$ (88,168)

Community schools receive no support from taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are, by far, the primary support for the School's students.

Capital Assets

At the end of fiscal year 2007, the School had \$63,355 invested in capital assets. That total carries an accumulated depreciation of \$10,045. Table 3 shows fiscal year 2007 balances.

(Table 3)

Capital Assets & Accumulated Depreciation at Year End

<u>Depreciable Capital Assets:</u> Furniture, Fixtures, and Equipment	\$63,355
 <u>Less Accumulated Depreciation:</u>	
Furniture, Fixtures, and Equipment	10,045
Capital Assets, Net	\$53,310

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)**

For the Future

The School will be working towards providing instructional, administrative, and fiscal services through a management company, Specialists in Educational Excellence (SEE). As the School takes on increasingly more of the instructional, administrative, and fiscal services through SEE, its costs should be more effectively monitored and adjusted, as necessary. However, management still must diligently plan expenses, staying carefully within the School's five year plan.

The School will apply for additional start-up grant monies of \$300,000 under the Ohio Charter Schools Federal Sub-grant Program during fiscal year 2008. The School anticipates receiving approval from the Ohio Department of Education for these grant monies. These grant funds may be used to enhance the operations of the School.

The School's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Rochelle Shields, Treasurer, at the NIA UNIVERSITY COMMUNITY SCHOOL, 7030 Reading Road, Suite 134, Cincinnati, Ohio 45237 or e-mail at rblessed@fuse.net .

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007**

Assets

Current Assets

Cash and Cash Equivalents	\$7,799
Prepaid Assets	32,265
Total Current Assets	<u>\$40,064</u>

Non-Current Assets

Depreciable Capital Assets (Net of Accumulated Depreciation)	<u>53,310</u>
Total Non-Current Assets	<u>53,310</u>
Total Assets	<u><u>\$93,374</u></u>

Liabilities

Current Liabilities

Accounts Payable	\$119,347
Accrued Wages & Benefits	26,455
Intergovernmental Payable	<u>35,740</u>
Total Current Liabilities	<u>181,542</u>

Net Assets

Invested in Capital Assets	53,310
Unrestricted (Deficit)	<u>(141,478)</u>
Total Net Assets	<u><u>\$(88,168)</u></u>

The notes to the financial statements are an integral part of this statement.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Operating Revenues	
Foundation payments	\$395,885
Donations	113,203
Other	24,867
Total Operating Revenues	533,955
 Operating Expenses	
Salaries and Benefits	346,594
Purchased Services	249,405
Supplies and Materials	55,370
Depreciation	10,045
Other	9,898
Total Operating Expenses	671,312
 Operating (Loss)	 (137,357)
 Non-Operating Revenue	
Federal Restricted Grants	49,189
Total Non-Operating Revenues	49,189
Change in Net Assets	\$ (88,168)
 Net Assets Beginning of Year	 -
Net Assets End of Year	\$ (88,168)

The notes to the financial statements are an integral part of this statement.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Increase (Decreases) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Foundation Payments	\$395,885
Cash Received from Donations	113,203
Cash Received from Other Operating Revenues	24,867
Cash Payments for Personnel Services	(306,622)
Cash Payments for Contract Services	(160,205)
Cash Payments for Supplies and Materials	(55,270)
Net Cash Used for Operating Activities	<u>11,858</u>

Cash Flows from Noncapital Financing Activities:

Cash from Federal & State Subsidies	<u>49,189</u>
Net Cash from Noncapital Financing Activities	<u>49,189</u>

Cash Flows from Capital and Related Financing Activities:

Purchased Assets	<u>(53,248)</u>
Net Cash from Capital and Related Financing Activities	(53,248)

Net Decrease in Cash and Cash Equivalents:

Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,799</u>

Reconciliation of Operating Loss to Net Cash

Used for Operating Activities:

Operating (Loss)	\$ (137,357)
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Adjustments to Reconcile Operating (Loss) to Net

Cash Provided by Operating Activities:

Depreciation	10,045
Changes in Assets and Liabilities:	
Decrease (Increase) in Prepaid Assets	(32,265)
Increase (Decrease) in Accounts Payable	109,240
Increase (Decrease) in Wage and Benefits Payable	26,455
Increase (Decrease) in Intergovernmental Payable	<u>35,740</u>
Net Cash Used by Operating Activities	<u>\$ 11,858</u>

The notes to the financial statements are an integral part of this statement.

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**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

NIA UNIVERSITY COMMUNITY SCHOOL, HAMILTON COUNTY, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for educational, literary, scientific and related teaching services. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The 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 contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2006. The Sponsor is responsible for evaluating 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. Starting the 2007 school year the Ohio Department of Education is no longer permitted to sponsor charter schools. Due to this legislative change, Educational Resource Consultants of Ohio, Inc. was the sponsor for the School beginning school year 2007.

The School operated under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the School's one instructional/support facility staffed by 8 certified full-time teaching personnel who provided services to 66 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial 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.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

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 transaction, in which the School receives value without directly giving equal value in return, includes 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 expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the School's Administrator compares budget income and expense to actual figures on a regular basis and also prescribes that the finance committee will review and compare the budgetary expenses and income from reports prepared by the School's treasurer on a monthly basis. The finance committee is required to report their recommendations to the Board of Directors.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment is computed using the straight line method over the estimated useful life of three to seven years. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets.

F. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt, 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 either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Operating Revenues and Expenses

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

H. 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 those estimates.

I. Cash and Deposits

The School's funds are pooled in a checking account with a local commercial bank.

3. DEPOSITS

At fiscal year end, the carrying amount of the School's deposits was \$7,799 and the bank balance was \$22,945. Of the bank balance, all was covered by Federal Depository Insurance.

Investments: The School had no investments at June 30, 2007, or during the fiscal year.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007:

	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/07</u>
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	<u>0</u>	<u>63,355</u>	<u>-</u>	<u>63,355</u>
Total Capital Assets Being Depreciated	<u>0</u>	<u>63,355</u>	<u>-</u>	<u>63,355</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>0</u>	<u>10,045</u>	<u>-</u>	<u>10,045</u>
Total Accumulated Depreciation	<u>0</u>	<u>10,045</u>	<u>-</u>	<u>10,045</u>
Capital Assets, Net	<u>\$ 0</u>	<u>\$53,310</u>	<u>\$ -</u>	<u>\$ 53,310</u>

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School contracted with Indiana Insurance Company for property and general liability insurance. There were no settlements exceeding coverage during 2007.

B. Workers Compensation

The School is to pay the State Workers 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; however, the School did not pay this during 2007.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2007, were \$10,711.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), 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 that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site 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 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 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 the 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 of 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.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007 were \$35,058.00; 100 percent has been contributed for fiscal year 2007.

7. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$2,028 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$3,330.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

8. OPERATING LEASE

The School entered into a cancelable operating lease agreement with Our Mothers of Sorrows Roman Catholic Church for classroom space and other space in a building. The lease was entered into on August 1, 2006 and was cancelled on March 26, 2007. This lease was to be payable in monthly installments of \$20,834 a month; however during fiscal year 2007, the School only paid \$35,000 for a security deposit.

The School also entered into a cancelable operating lease agreement with East End Community Heritage School for classroom space and other space in a building. The terms are for March 22, 2007 through June 30, 2007. This lease for classroom facilities is payable in monthly installments of \$5,000 a month. The total lease payments made in fiscal year 2007 were \$10,000.

9. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2007.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. CONTINGENCIES (Continued)

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2007, the review was completed in January 2008. For the School, there was an insignificant variance between the amount received to date and the final payment made to the School. This variance will have no effect on the financial standing of the School.

C. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

10. PURCHASED SERVICES

For the year ended June 30, 2007, the purchased service expenses were comprised of the following:

Professional & Technical	\$209,657
Repairs/Cleaning and Maintenance	5,108
Communications	6,616
Utilities	23,757
Contracted Craft or Trade	4,267
	<hr/>
Total Purchased Services	<u>\$ 249,405</u>

11. MANAGEMENT'S PLAN REGARDING NEGATIVE NET ASSETS

For the year ended June 30, 2007, the negative net assets were due to the School being in the lottery for the fiscal year 2005-2006 and not being allowed to open for that fiscal year. Therefore, no state or federal funding was issued. Prior to the lottery, the School incurred debt to assure the opening for that year would be successful. Vendors have agreed to work with the School understanding the situation at hand. During the fiscal year 2007-2008, the School will set-up payment plans to clear the debt incurred.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. SUBSEQUENT EVENTS

As of July 1, 2009, the School has changed its name to Aspiring to Excellence in Achievement Academy (ATEA).

13. NONCOMPLIANCE

The School did not comply with some requirements regarding the design and implementation of controls for financial reporting and other various revised code requirements.

14. RELATED PARTY TRANSACTION

The School purchased food supplies from Angela Mumphrey's catering company. Angela Mumphrey worked at the School as a secretary at the time. The School made one payment to Angela Mumphrey in September 2006 totaling \$839.



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*

Nia University Community School
Hamilton County
7030 Reading Road
Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

We were engaged to audit the basic financial statements of Nia University Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 16, 2009, wherein we disclaimed our opinion due to the lack of written representations from management. We also noted the School incurred an operating loss and negative net assets balance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting but not to opine on the effectiveness of the School'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 certain 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 School'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 School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-003 and 2007-010 through 2007-013 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 School'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 finding 2007-010 and 2007-013 are also material weaknesses.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated October 16, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School'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 items 2007-001, 2007-002, 2007-004 through 2007-009, and 2007-013.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated October 16, 2009.

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

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



Mary Taylor, CPA
Auditor of State

October 16, 2009

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

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

Finding for Recovery

From July 1, 2006 to September 30, 2006, the School used ADP to complete their payroll. During that time period ADP did not withhold the retirement withholdings from each employee's paycheck resulting in each employee being overpaid, but did remit the employee withholdings to the School Employees Retirement System and School Teachers Retirement System. Therefore, the School paid both the employees' and employer's portions of the retirement. The Board of Directors did not approve for the School to pay the employee's portions. Hemphill & Associates, former Treasurer, was responsible for payroll. The School could not provide evidence that this was later corrected. The total overpayment for these payments is \$9,251.28.

Employee	Overpayment
Nanyah Bat-Asher	\$377.78
Earl Brown	377.78
Aaron Martin	634.50
Jacqueline McClure	1,077.00
Angela Mumphrey	273.00
Alisa Murph	422.22
Jeffery Pastor	311.12
Christina Pitocco	164.70
Briane Reed	1,095.81
Teresa Sandifer	333.34
Wilbur Sanford	1,377.50
Geraldine St. Clair	918.35
Vivian Strickling	1,554.84
David Tanner	333.34
Total	\$9,251.38

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 Nanyah Bat-Asher in the amount of \$377.78, Earl Brown in the amount of \$377.78, Aaron Martin in the amount of \$634.50, Jacqueline McClure in the amount of \$1,077.00, Angela Mumphrey in the amount of \$273.00, Alisa Murph in the amount of \$422.22, Jeffery Pastor in the amount of \$311.12, Christina Pitocco in the amount of \$164.70, Briane Reed in the amount of \$1,095.81, Teresa Sandifer in the amount of \$333.34, Wilbur Sanford in the amount of \$1,377.50, Geraldine St. Clair in the amount of \$918.35, Vivian Strickling in the amount of \$1,554.84, and David Tanner in the amount of \$333.34, and in favor of the Nia University Community School.

**FINDING NUMBER 2007-001
(Continued)**

Officials' Response:

Board of Directors' Response: The Board of ATEA (Aspiring to Excellence and Achievement Academy), formerly Nia University Community School, will direct its legal counsel to demand return of overpayments as set out in the finding to the fourteen employees and former employees in the amount of \$9,251.38.

FINDING NUMBER 2007-002

Finding for Recovery

Ohio Revised Code, 149.351(A), states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320, provides that expenditures made by a public entity should serve a proper public purpose. *McClure* indicates that as a general rule, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary and unreasonable. Even if a purchase is reasonable, 1982 Op. Att'y Gen. No. 82-006 indicates that the decision to expend public funds must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The School provided no documentation of a proper public purpose determination and was unable to explain whether the following expenditures related to a proper school purpose:

- A business check card was used on August 21, 2006 at AVIS Car Rental in Evendale, Ohio in the amount of \$117.13. The renter of the vehicle was Vivian Strickling, the School's former Executive Director/Superintendent.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Vivian Strickling in the amount of \$117.13, and in favor of the Nia University Community School.

Officials' Response:

Board of Directors' Response: The Board of ATEA, formerly Nia University Community School, will direct its legal counsel to demand from former Nia Executive Director Strickling the amount of \$117.13 for public monies illegally expended.

FINDING NUMBER 2007-003

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The School did not reconcile its bank balances to fund balances during the audit period. Accurate reconciliations are a basic and essential internal control component for sound fiscal management. School officials rely on accurate reconciliations to make sound financial decisions.

The School did not properly reconcile its general checking account during the audit period as indicated by the following:

- An unsupported entry to restore cleared checks was found on the General Ledger totaling (\$20,571)
- An unsupported expenditure to ABEKA books was found on the General Ledger totaling \$21,008 (the expenditure never appeared on the School's bank statement)
- An expenditure to Eagle Eye Management was recorded twice on the General Ledger totaling \$5,118
- Two converted checks were recorded twice on the General Ledger totaling \$45
- The beginning bank balance as of July 1, 2007 was never recorded on the General Ledger in the amount of \$128
- Two payments of ADP Payroll taxes were never recorded on the General Ledger totaling (\$5,628)
- An unknown withdrawal was made from the bank totaling (\$100) and never recorded on the General Ledger

Failure to accurately prepare and reconcile the accounting records reduces the accountability over school funds and reduces the Board's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution.

We recommend that the Treasurer perform reconciliations between the bank balance and computer generated general ledger balance monthly. The reconciled checking account balance (bank balance, less outstanding checks, plus deposits in transit) should equal the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a board member review and sign off on the reconciliation thereby indicating approval and assist in the timeliness of reconciliations.

Officials' Response:

Treasurer & Former Superintendent's Response: The Treasurer hired in May 2008 has provided and continues to provide bank reconciliations along with the bank statement.

Board of Directors' Response: The ATEA Board has directed its current Treasurer Rochelle Shields to perform monthly reconciliations between the bank balance and computer-generated general ledger. The Board has adopted new bylaws that provide for the election of a Board treasurer, who will review and sign off on the school treasurer's monthly reconciliation.

FINDING NUMBER 2007-004

Noncompliance

Ohio Revised Code, Section 149.351, states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The following records for the audit period could not be located for audit:

- The original ADP Payroll reports
- Support for various instructional equipment donated to the School totaling \$48,127
- Entire cancelled checks (i.e. fronts and backs) were not maintained for the audit period. The School was able to obtain copies of certain cancelled checks from the bank; however, the School could not locate 12 cancelled checks out of 187 (6%)
- Nine retirement participation forms and 17 state withholding forms out of 17 employee files tested
- Invoices for three disbursements, but we received a payment history from the vendor to verify the amounts
- Support, including deposit slips, for donations totaling \$311

The School should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Officials' Response:

Treasurer & Former Superintendent's Response: The Treasurer hired in May 2008 has taken inventory on all items and will continue to update inventory records as needed. All financials are in a secured central location and a filing cabinet with financials is under lock and key.

Board of Directors' Response: The ATEA Board notes that in the transition period of replacement of the former Board of Nia University Community School and of Executive Director Strickling, documents disappeared. The ATEA Board will adopt policies and procedures for securing the records. Current administrative staff are taking a written inventory of records. Policies and procedures will require that all records be maintained in a secure central location with limited access.

FINDING NUMBER 2007-005

Noncompliance

26 United States §3402(a) requires that, in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

During the period tested, the School withheld from employees, but did not remit to the United States Treasury, \$16,528 of federal income taxes for fiscal year 2007.

**FINDING NUMBER 2007-005
(Continued)**

The School should remit all federal income taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter will be referred to the Internal Revenue Service.

Officials' Response:

Treasurer & Former Superintendent's Response: All federal taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due federal taxes have been paid.

Board of Directors' Response: ATEA now timely remits to IRS all federal income taxes withheld.

FINDING NUMBER 2007-006

Noncompliance

Ohio Revised Code, Section 5747.06(A), states, in part, that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer, shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in his adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

During the period tested the School withheld from employees, but did not remit to the Ohio Department of Taxation, \$4,878 of Ohio income taxes for fiscal year 2007.

The School should remit all state income taxes withheld in a timely manner to the Ohio Department of Taxation. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter will be referred to the Ohio Department of Taxation.

Officials' Response:

Treasurer & Former Superintendent's Response: All Ohio taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due Ohio taxes have been paid

Board of Directors' Response: ATEA now timely remits to Ohio Department of Taxation all state income taxes withheld.

FINDING NUMBER 2007-007

Noncompliance

26 United States Code §3102(a) requires that the tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

26 United States Code §3111(a) states that in addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment.

**FINDING NUMBER 2007-007
(Continued)**

The School failed to remit the employee and employer portions of Medicare taxes to the United States Treasury totaling \$4,913 for fiscal year 2007.

The School should remit all Medicare taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter will be referred to the Internal Revenue Service.

Officials' Response:

Treasurer & Former Superintendent's Response: All Medicare taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due Medicare taxes have been paid.

Board of Directors' Response: ATEA now timely remits to IRS all Medicare Taxes withheld.

FINDING NUMBER 2007-008

Noncompliance

Ohio Revised Code, Section 9.42, requires that any political subdivision or instrumentality deduct from the wages or salaries of public employees the percentage of municipal income tax applicable. Community Schools are not except from this requirement.

During the period tested the School withheld from employees, but did not remit to the City of Hamilton, \$3,558 of city income taxes for fiscal year 2007.

The School should remit all city income taxes withheld in a timely manner to the City of Hamilton. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter will be referred to the City of Hamilton.

Officials' Response:

Treasurer & Former Superintendent's Response: All city taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due city taxes have been paid.

Board of Directors' Response: ATEA now timely remits to City of Hamilton all city income taxes withheld.

FINDING NUMBER 2007-009

Noncompliance

Ohio Revised Code Section 4123.38 requires that every employer mentioned in R.C. 4123.01(B)(1) shall contribute to the public insurance fund the amount of money determined by the administrator of workers' compensation, and the manner of determining contributions and the classifications of employers is as provided in R.C. Sections 4123.39 to 4123.41 and 4123.48. In addition Ohio Rev. Code Section 3314.03(A)(11)(d) requires, in pertinent part, that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Chapter 4123 of the Revised Code.

The School failed to remit premiums to the Ohio Bureau of Workers' Compensation (BWC) during the audit period. To reduce the possibility of additional expenditures to the School for fines imposed for late premium filings, the School should remit premiums to the Ohio Bureau of Workers' Compensation. This matter will be referred to the BWC.

FINDING NUMBER 2007-009
(Continued)

Officials' Response:

Treasurer & Former Superintendent's Response: All Ohio Bureau of Worker's Compensation filings are now timely and in compliance. The premiums are now paid through the payroll service which is monitored by the Treasurer.

Board of Directors' Response: ATEA now timely remits to Ohio Bureau of Workers' Compensation all premiums to the Ohio Bureau of Workers' Compensation.

FINDING NUMBER 2007-010

Material Weakness

The management of each community school is responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The School's Financial Report for the fiscal year ended June 30, 2007 contained errors as follows:

- The Statement of Net Assets Unrestricted Net Assets was initially understated by \$51,248
- The Statement of Cash Flows Operating Loss did not agree to the Statement of Revenues, Expenses, and Changes in Net Assets. The Operating Loss was initially understated by \$49,189
- Within the Statement of Cash Flows, the Net Cash Used by Operating Activities in the Reconciliation of Operating Loss to Net Cash did not agree to the Net Cash Used by Operating Activities in the Increases (Decreases) in Cash and Cash Equivalents. The amounts had a variance of \$63,355.

In addition, many errors were noted in the Notes to the Financial Statements. Adjustments to correct the significant errors above are reflected in the financial statements, notes and accounting records.

An effective monitoring control system should be implemented by the School to assist management in detecting material misstatements in financial or other information.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objective are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of financial report summaries of sufficient detail (monthly detail revenue and expenditure reports) with independently accumulated information (budgets, past performance, etc.)
- Dual signatures on checks
- Review of revenue/expenditures
- Identification of unusual fluctuations
- Review of monthly reconciliations.

**FINDING NUMBER 2007-010
(Continued)**

In addition, the School could establish an Audit Committee to serve as a liaison between management and its auditors and assist with monitoring the School's financial reporting practices. The primary functions of such a Committee are to monitor and review the School's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the School's independent auditors before and after each audit
- Monitoring the progress of the financial and compliance audit
- Evaluating the results of the financial and compliance audit
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied

In addition, the Audit Committee should meet regularly (perhaps quarterly) to monitor the School's legal compliance, financial condition, and controls over the safeguarding of assets.

The Audit Committee can include members of the School's Board of Directors. However, it can also include representation that is independent from elected officials or management. The Committee could include professionals knowledgeable in the School's financial operations, such as attorneys or bankers.

Officials' Response:

Treasurer & Former Superintendent's Response: The Board is aware they need to form an Audit Committee.

Board of Directors' Response: The ATEA Board now requires the following monitoring controls: dual signatures on checks; treasurer review of monthly reconciliation. In addition, the Board has directed the school Treasurer to provide monthly financial report summaries and to identify unusual fluctuations. Under the newly adopted Bylaws, the Board treasurer serves as liaison to assist in monitoring School accounting and financial reporting practices. The ATEA Board is considering appointment of an Audit Committee spearheaded by the Board treasurer.

FINDING NUMBER 2007-011

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The School lacks management oversight over their GAAP conversion process. Accrued wages and benefits incorrectly calculated. Wages were accrued for employees who should have had any accrued wages. While testing accrued wages and benefits, we noted Intergovernmental Payable related to accrued wages were also calculated incorrectly. These miscalculations resulted in Accrued Wages being overstated by \$20,477 and Intergovernmental Payable being understated by \$4,087.

**FINDING NUMBER 2007-011
(Continued)**

The School made adjustments to the accompanying financial statements and accounting records for the above items. Failure to properly post liabilities can result in inaccurate financial statements. We recommend the School properly post liabilities. The School should review activity posted to the financial statements for accuracy. Comparisons between years may aid in the proper posting of activity. To improve accountability and record keeping, we recommend that the School use due care in preparing their financial statements.

Officials' Response:

Treasurer & Former Superintendent's Response: A new contractor has been hired to prepare the GAAP and 990 due in 2009.

Board of Directors' Response: The ATEA Board recognizes past deficiencies in oversight of the GAAP conversion process. The Board treasurer and the School treasurer are tasked to review postings to financial statements for accuracy.

FINDING NUMBER 2007-012

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and recorded on the books and in the annual report to ensure that accounting records are accurate as to the type of revenue that is received, the type of disbursement made, or the fund that disbursements or transfers are made from.

The following conditions were identified during testing of the School's expenditures:

- Two checks numbered 215 and two checks numbered 4012 recorded separately on the General Ledger
- Two checks numbered 173, but they were recorded as one disbursement on the General Ledger
- Two checks totaling \$12,311 were dated June 30, 2007 per the General Ledger; however, per review of the cancelled checks, they were dated July 10, 2007 and July 30, 2007
- Two checks were written out to "Cash." The checks were endorsed by Vivian Strickling and used to purchase office supplies
- Numerous bills were not paid timely
- Records were not maintained in an organized fashion to facilitate finding support. Initially, support could not be located for 57 disbursements. The School was eventually able to find adequate support
- There is no documented proof that the Board approved payment of bills
- A checkcard purchase to the Cheesecake Factory totaling \$140 did not have a detailed receipt attached
- Four \$50 gift cards were purchased as graduation gifts; however, there was no indication that the Board approved purchasing these gift cards
- Some expenditures were improperly listed in the General Ledger (i.e. vendor name and/or purpose were incorrect or missing). No adjustments resulted from these errors

FINDING NUMBER 2007-012
(Continued)

- Due to improper documentation of pay cuts and inconsistencies in payroll payments (i.e. employees were not always paid biweekly and the payment amounts were not always the same), we could not determine if employees were being paid in accordance with their authorized rates/salaries; however, no employees were paid more than their contract amount
- Seven payroll-related disbursements were not recorded in the Payroll Ledger totaling \$3,295 (all were for substitute teachers). Withholdings were not taken from these payments and 1099 forms were not issued to any of the individuals
- Entire cancelled checks (i.e. fronts and backs) were not maintained for the audit period. The School was able to obtain copies of certain cancelled checks from the bank; however, the School could not obtain a copy of the backs of 55 cancelled checks out of 187 (29%)

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Furthermore, failure to accurately review disbursements:

- reduces the accountability over School funds
- reduces the Board's ability to monitor financial activity and make informed financial decisions
- increases the likelihood that moneys will be misappropriated and not detected
- increases the likelihood that the School's financial statements will be misstated

A good internal control system includes procedures to help ensure management receives and processes accurate information as well as mitigate fraud, theft, or errors going unresolved.

We recommend the following to the School in regards to expenditures:

- Due care should be used to ensure that check numbers are not duplicated and that each check is recorded separately within the accounting system. In addition, due care should be used when recording disbursements in the system to ensure that the vendor name and purpose are correct.
- All disbursements should be recorded in the proper period; checks should not be post-dated or pre-dated
- Vendor names should be recorded as the payee on all checks instead of being written out to "Cash"
- Bills should be paid timely to ensure late fees and penalties are not incurred
- Supporting documentation should be maintained for all disbursements, including cancelled checks and invoices, and organized in a fashion to facilitate quick comparison between the support and disbursement
- All disbursements should be approved by the Board and their approval should be documented in the Board minutes
- Detailed receipts for food purchases should be maintained
- The Board should approve all purchases of gift cards and explain their rationale for buying the gift cards within the Board minutes

**FINDING NUMBER 2007-012
(Continued)**

- Proper documentation should be maintained of all payroll-related payments, including documentation of pay cuts. In an employee is not being paid according to their contract, then documentation of the change should be documented and placed in the employee's personnel file
- All payroll-related disbursements should be recorded in the Payroll Ledger and proper withholdings should be withheld from payments

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer in October 2008 recommended that the Board form a Finance Committee which includes at least one Board member. The committee would be responsible for oversight of reviewing expenses, invoices, payroll, deposits, etc. A new Board was formed in February 2009, and the Treasurer once again advised that a Finance Committee was essential.

Board of Directors' Response: The ATEA Board recognizes deficiencies in the policies and procedures of Nia's former board in not establishing an adequate internal control system. ATEA's Board has directed the School treasurer to develop an internal control system with the characteristics set out in this Finding.

FINDING NUMBER 2007-013

Noncompliance Citation and Material Weakness

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section(A)(2)(a)(2) states that governmental units assume responsibility for administrating Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

OMB Circular No. A-133, Section .300(a) states that the auditee shall:

- a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with OMB Circular A-133, Section .310.

During the audit period, the School did not segregate the federal funds on their financial records thus federal funds were commingled.

We recommend that the School segregate their federal funds on their financial records by utilizing the Uniform School Accounting System, maintain and provide adequate documentation in support of all federal expenditures and comply with all requirements of the grant agreements. We also recommend the School implement adequate controls over their Federal programs. Failure to identify federal funds, provide adequate documentation, implement controls, and comply with grant requirements, could result in future questioned costs and potential loss of Federal financial assistance.

**FINDING NUMBER 2007-013
(Continued)**

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer in October 2008 recommended that the Board form a Finance Committee which includes at least one Board member. The committee would be responsible for oversight of reviewing expenses, invoices, payroll, deposits, etc. A new Board was formed in February 2009, and the Treasurer once again advised that a Finance Committee was essential.

Board of Directors' Response: The ATEA Board recognizes that the former board of Nia University Community School failed to segregate federal funds on financial records and maintain appropriate documentation in compliance with requirements of grant agreements. Both ATEA's Administration and the School treasurer have been directed to do so.



Mary Taylor, CPA
Auditor of State

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON 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 24, 2009**