VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost • Auditor of State

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY

TABLE OF CONTENTS

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INDEPENDENT ACCOUNTANTS' REPORT

Villaview Community School
Cuyahoga County
1701 East 12th Street
Cleveland, Ohio 44114

To the Board of Directors:

We have audited the accompanying financial statements of Villaview Community School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The School did not maintain sufficient documentation to support adjustments made to Net Assets Beginning of Year and adjustments made to the Accounts Payable liability.

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

Amounts reported on the Statement of Cash Flows were unsupported.

In our opinion, except for the effect, if any, of adjustments to financial statement amounts or revisions to disclosures that may have been required for the Net Assets Beginning of Year, Accounts Payable, the Defined Benefit Pension Plans and Post-Employment Benefit disclosures, and unsupported amounts on the Statement of Cash Flows described above, the financial statements referred to above present fairly, in all material respects, the financial position of Villaview Community School, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, 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.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 15 to the basic financial statements, the Statement of Net Assets shows the School had a net deficit balance of $117,117. In addition, in September of 2011, the Ohio Department of Education notified Ashe Culture Center, the School's sponsor, that they are no longer permitted to sponsor community schools in Ohio. These conditions raise substantial doubt about the School's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Dave Yost

Dave Yost
Auditor of State

March 22, 2013

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Our discussion and analysis of the Villaview Community School (VCS) financial performance provides an overall review of VCS's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at VCS'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 VCS's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for VCS for the 2010-2011 school year are as follows:

- Total assets decreased by $68,454 as VCS saw the receivable from Cleveland Community School drop to just $35,343 in fiscal year 2011.
- Total liabilities decreased by $803,152 as the VCS had the long term debt obligations forgiven as part of the lawsuit settlement and Cleveland Community School assuming all the responsibility for paying the settlement amount.
- Total net assets increased by $734,698 as part of the settlement.
- Total operating revenues were $594,981 while operating expenses were $1,059,366.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Fund Net Assets reflect how VCS did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

VCS uses enterprise presentation for all of its activities.

STATEMENT OF NET ASSETS

The Statement of Net Assets answers the question of how VCS did financially during 2011.

This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of VCS's net assets for fiscal years 2010 and 2011.

Table 1
Statement of Net Assets

	2011	2010	Change
Assets			
Current Assets	$63,617	$132,071	($68,454)
Total Assets	63,617	132,071	(68,454)
Liabilities			
Current Liabilities	180,734	66,962	113,772
Non-Current Liabilities	0	916,924	(916,924)
Total Liabilities	180,734	983,886	(803,152)
Net Assets			
Unrestricted	(117,117)	(851,815)	734,698
Total Net Assets	($117,117)	($851,815)	$734,698

Net assets increased to ($117,117), a significant increase which resulted from VCS having the long term debt obligations forgiven as part of the settlement. The current assets dropped as Cleveland Community School has paid down the receivable from fiscal year 2010.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Table 2 shows the changes in net assets for fiscal years 2010 and 2011, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the VCS as a whole, the financial position of the VCS has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 2

Change in Net Assets

	2010	2011	Change
Revenues			
Operating revenues:			
Foundation payments	$697,857	$589,710	($108,147)
Other operating revenues	6,979	5,271	(1,708)
Non-operating revenues:			
Federal and state grants	277,168	361,161	83,993
Forgiveness of Debt	0	837,922	837,922
Total revenues	982,004	1,794,064	812,060
Expenses			
Operating expenses:			
Salaries	323,304	292,527	(30,777)
Fringe benefits	110,447	107,996	(2,451)
Purchased services	502,793	617,053	114,260
Materials and supplies	0	41,790	41,790
Other expenses	12,745	0	(12,745)
Total Expenses	949,289	1,059,366	110,077
Change in Net Assets	32,715	734,698	$701,983
Beginning Net Assets	(884,530)	(851,815)	
Ending Net Assets	($851,815)	($117,117)	

Total revenues increased mainly because of the debt forgiveness of the long term debt obligations. VCS had a significantly more in federal grants in 2011 as the ARRA funding was available. There was also a drop in foundation revenue due to fewer students. The VCS also saw the expenses increase as the purchased services were increased because of the additional grant funding.

BUDGETING HIGHLIGHTS

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

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

CAPITAL ASSETS

VCS has no capital assets.

DEBT OBLIGATIONS

VCS has no long term debt obligations outstanding at the end of the fiscal year. The prior long term debt obligations were forgiven as part of the lawsuit settlement.

CONTACTING VCS'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of VCS's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Mrs. Candace S. Williams, Executive Director, Villaview Community Schools,1701 East 12 Street, Cleveland, Ohio 44114.

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY, OHIO
STATEMENT OF NET ASSETS

AS OF JUNE 30, 2011

Assets:		
Current assets:		
Cash and cash equivalents	$	14,334
Accounts Receivable		13,940
Due from Cleveland Community School		35,343
Total current assets		63,617
Total Assets		63,617
Liabilities:		
Current liabilities		
Accounts payable		95,367
Accrued wages and benefits payable		81,468
Due to Others		3,899
Total current liabilities		180,734
Total Liabilities		180,734
Net Assets:		
Unrestricted		(117,117)
Total net assets	$	(117,117)

See accompanying notes to the basic financial statements

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUS, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Fiscal Year Ended June 30, 2011

Operating Revenues:		
State Foundation (Aid)	$	589,710
Local Revenue		5,271
Total operating revenues		594,981
Operating Expenses:		
Salaries		292,527
Fringe benefits		107,996
Purchased services		617,053
Materials and supplies		41,790
Total operating expenses		1,059,366
Operating Loss		(464,385)
Non-Operating Revenues:		
Federal grants		361,161
Forgiveness of Debt		837,922
Total non-operating revenues		1,199,083
Change in net assets		734,698
Net assets at beginning of year, restated		(851,815)
Net assets at end of year	$	(117,117)

See accompanying notes to the basic financial statements

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY, OHIO
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2011

Increase in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 589,710
Cash received from other operating revenues	5,271
Cash payments to employee for services	(234,788)
Cash payments for employee benefits	(107,996)
Cash payments for supplies for good and services	(501,864)
Cash payments to Cleveland Community School	(79,000)
Cash payments for lawsuit	(19,500)
Net cash used by operating activities	(348,167)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	364,949
Net cash provided by noncapital financing activities	364,949
Net change in cash and cash equivalents	16,782
Cash and Cash Equivalents at beginning of year	(2,448)
Cash and Cash Equivalents at end of year	14,334

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(464,385)
Adjustments to reconcile operating loss to net cash provided for operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	72,378
Increase in accrued wages and benefits payable	43,840
Net cash used by operating activities	$ (348,167)

See accompanying notes to the basic financial statements

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VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. DESCRIPTION OF ENTITY

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

VCS, 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. VCS may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of VCS.

In 2007, the VCS legally changed its name from Cleveland Lighthouse Charter Community School – West to Villaview Lighthouse Community School. In January 2010 the name was changed to Villaview Community School.

On April 18, 2006, VCS was approved for operation under a contract between the governing authority of VCS and Ashe Culture Center, Inc. (the Sponsor), as their sponsor. Under the terms of the contract, the Sponsor will provide sponsorship services for a fee. The Sponsor is responsible for evaluating the performance of VCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. During 2011, Ashe was not renewed by the Ohio Department of Education as an eligible sponsor and the Ohio Department of Education took over the sponsorship for the school.

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

The board members of the VCS are also board members of Cleveland Community School, formerly named Cleveland Lighthouse Charter Community School –East.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial Statements of the VCS have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. VCS also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. VCS's significant accounting policies are described below.

A. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. BASIS OF PRESENTATION (CONTINUED)

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

C. BUDGETARY PROCESS

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

D. CASH AND CASH EQUIVALENTS

All monies received by VCS are maintained in a demand deposit account. For internal accounting purposes, VCS segregates its cash. VCS has no investments at June 30, 2011.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. CAPITAL ASSETS

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. Deprecation of fixed assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

Asset	Useful Life
Furniture, Equipment and Materials	10 years
Computers and Office Equipment	3 years
Leasehold Improvements	10 years

VCS has an asset capitalization threshold policy of $5,000. VCS has no assets that qualify for capitalization at June 30, 2011.

G. INTERGOVERNMENTAL REVENUES

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

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

Under the above programs VCS received $950,871 this fiscal year.

H. COMPENSATED ABSENCES

Vacation is taken in a manner in which corresponds with VCS calendar; therefore, VCS does not accrue vacation time as a liability. Sick days are earned at a rate of four hours per month and can be accrued up to the amount of paid personal days included in the contract year. VCS does not accept a transfer of sick days. No financial accrual for sick leave is made since unused sick leave is not paid to employees upon separation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. ACCRUED LIABILITIES

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable, accrued wages and benefits, due to others totaling $180,734.

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

K. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or law and regulations of other governments. VCS applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets as of June 30, 2010 were restated to exclude liabilities that were the result of other long-term debt issues after the lawsuit with Lighthouse Academy and were settled as follows:

Net Assets at June 30, 2010	($772,813)
Restatement	(79,002)
Restated Net Assets at June 30, 2010	($851,815)

L. OPERATING REVENUES AND EXPENSES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. INTERGOVERNMENTAL RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the VCS at June 30, 2011, of which all grant requirements had been satisfied, consisted of title funding grants which totaled $13,940.

N. DUE FROM CLEVELAND COMMUNITY SCHOOL

The School provided money to Cleveland Community School throughout the year to help cover payroll and other related expenses. The amount recorded on the statement of net assets is expected to be repaid within one year.

3. CASH AND CASH EQUIVALENTS

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

VCS maintains its cash balances at one financial institution located in Ohio. The entire bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2011, the book amount of VCS's deposits was $14,334 and the bank balance was also $22,787.

VCS had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with VCS or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2011, none of the bank balance was exposed to custodial credit risk.

4. EDUCATIONAL FACILITY LEASE

VCS leases its facility at Reserve Square, 1701 East 12th Street, Cleveland is leased by Cleveland Community School from Reserve Apartment, Ltd. Under a ten year lease agreement effective July 1, 2006, set to expire June 30, 2016. That lease was voided at June 30, 2010. VCS entered into a one year lease from July 2010 through June 2011 and entered into a new one year lease from July 2011 to June 2012. In fiscal year 2011, VCS paid $50,000 in rental and related occupancy payments and expenses. This amount is recorded and reflected in the Statement of Revenue, Expenses and Change in Fund Net Assets as purchased services.

5. RISK MANAGEMENT

A. PROPERTY & LIABILITY

VCS 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 2011, VCS contracted with Philadelphia Indemnity Insurance Company for all of its insurance.

B. WORKERS' COMPENSATION

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

C. EMPLOYEE BENEFITS

VCS provides medical, dental, vision, and life insurance benefits to most employees. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the agreement with the employee.

6. DEFINED BENEFIT PENSIONS PLANS

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and VCS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.77 percent. The remaining 2.23 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. VCS contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were $30,086, $32,016, and $46,827, respectively, which equaled the required contributions each year.

6. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS OHIO)

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

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

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. VCS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, 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.

VCS's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were $29,861, $41,484, and $48,013 respectively, of which 100% has been contributed.

The above is the latest information available.

6. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

7. POST EMPLOYEMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEMS (SERS)

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

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2011 was $96.40; SERS' reimbursement for retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2011, the actuarial required allocation is .76 percent VCS's contributions for the years ended June 30, 2011, 2010, and 2009 were $4,212, $4,240, and $3,864.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

7. POST EMPLOYMENT BENEFITS (CONTINUED)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEMS (SERS) (CONTINUED)

For the fiscal year June 30, 2011, the minimum compensation level was established at $35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. VCS's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were zero.

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

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

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $4,240, $3,693, and $3,155, respectively all of which has been contributed for all fiscal years.

The above is the latest information available.

8. CONTINGENCIES

A. GRANTS

VCS received financial assistance from federal and state agencies in the form of grants. Amount received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amount which may be disallowed, if any, are not presently determinable. However, in the opinion of VCS, any such adjustments will not have a material adverse effect on the financial position of VCS.

B. LITIGATION

In August 2010, VCS and Cleveland Community School were sued by Lighthouse Academies, Inc. for past due management fees, a revolving loan and an operation loan. The suit was settled with Cleveland Community School agreeing to pay the full settlement amount of $300,000 at $2,500 per month with no interest. VCS was removed of all liability associated with the lawsuit.

C. FULL-TIME EQUIVALENCY

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by VCS. These reviews are conducted to ensure VCS is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review for the period of July 1, 2010 through June 30, 2011 has not been performed as of June 30, 2011.

9. SPONSORSHIP- ASHE CULTURE CENTER INC.

VCS contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. VCS pays the Sponsor three percent of State Aid. Sponsorship fees are calculated as three percent of state funds received by VCS from the State of Ohio. For the fiscal year ended June 30, 2011, sponsorship fees totaled $15,804.

10. L.E.D. CONSULTING, INC. – Treasury Services

VCS entered into a contract with L.E.D. Consulting, Inc. to provide treasury services, as defined by the contract. Contract provision binds VCS to pay $4,000 per month through November 30, 2010 and $5,000 per month for the remainder of the fiscal year, as well as reimbursements for any mailing fees or loans. VCS paid $69,098 for these services for the fiscal year ending June 30, 2011.

11. PURCHASED SERVICES

For the period of July 1, 2010 through June 30, 2011, VCS made the following purchase service commitments. These commitments include sponsor, management and CCIP fees, were applicable.

Professional and Technical Services	$344,253
Occupancy	84,704
Food Service	77,874
Pupil Transportation	110,222
Total Purchased Services	$617,053

12. RELATED PARTIES

The members of VCS Board of Trustees are also members of the Cleveland Community School.

Dr. Jorethia Chuck, wife of Dr. Kwa David Whitaker, owner of ASHE Culture Center, Inc. VCS's Sponsor during fiscal year 2011, is the owner of Exceptional Psychological Services. Exceptional Psychological Services was paid $11,680 during fiscal year 2011.

Dionne Whitaker, daughter of Dr. Whitaker, is the owner of Kennedy Education Consultants, LTD, a company which provided lesson plans and other related services to VCS. Dionne Whitaker and Kennedy Education Consultants were paid a total of $6,775 for these services during the year.

Brandon Whitaker, nephew of Dr. Whitaker, performs consulting and technical services for VCS. Payments to Brandon Whitaker totaled $11,226.

13. RECEIVABLE FROM CLEVELAND COMMUNITY SCHOOL

Often VCS receives and distributes monies from or to Cleveland Community School to assist in maintaining cash flow to operate the respective school. At June 30, 2011, VCS is owed $35,343 from Cleveland Community School for loans it gave. There is no formal repayment schedule. The monies are returned when resources are available. This amount is reported on the Statement on Net Asset as Due from Cleveland Community School.

14. DEBT OBLIGATIONS

	Principal Outstanding July 1, 2010	Additions	Reductions	Principal Outstanding June 30, 2011
Deferred Rent	$280,000	$0	$280,000	$0
LHA Revolving Loan	241,618	0	241,618	0
LHA Operating Loan	104,120	0	104,120	0
Loan Payable	212,184	0	212,184	0
Long-Term Loans	$837,922	$0	$837,922	$0

14. DEBT OBLIGATIONS (CONTINUED)

The revolving loan payable for $241,618 is a demand loan in the form of a promissory note payable to Lighthouse Academies, Inc. (LHA), which is the School's previous management firm and as of June 30, 2011 was payable at the end of the charter term. This obligation was included as part of an agreement reached in October 2011 with LHA to forgive the balance due and accept a fixed settlement amount payable by Cleveland Community School with no remaining obligation due from VCS.

The operating loan payable for $104,120 is an operating loan in the form of a promissory note payable to Lighthouse Academies, Inc. (LHA). At June 30, 2011 this was payable when VCS had available cash for repayment, which no specific repayment date specified. This obligation was included as part of an agreement reached in October 2011 with LHA to forgive the balance due and accept a fixed settlement amount payable by Cleveland Community School with no remaining obligation due from VCS.

The loan payable for $212,184 is a liability to VCS's previous management firm, Lighthouse Academies, Inc. (LHA), for unpaid management fees. At June 30, 2011, there was no repayment schedule specified. This obligation was included as part of an agreement reached in October 2011 with LHA to forgive the balance due and accept a fixed settlement amount payable by Cleveland Community School with no remaining obligation due from VCS.

The loan payable for $280,000 is from City First Bank of DC to VCS and Cleveland Community School for leasehold improvements made to the property leased by the schools. At June 30, 2011, there was no repayment schedule specified. This obligation was included as part of an agreement reached in October 2011 with City First Bank to forgive the balance due and accept a fixed settlement amount payable by Cleveland Community School with no remaining obligation due from VCS.

15. FISCAL DISTRESS

As of June 30, 2011, VCS had a deficit of $117,117. The Treasurer and Board plan institute budgetary constraints which ensure discretionary expenditures remain within annual resources. The Treasurer shall monitor the actual to budget activity to report to the Board and management needed budgetary revisions to maintain solvency. Ashe Culture Center, the VCS sponsor, had renewed its sponsorship with VCS and the current agreement would have expired on June 30, 2013; however, the Ohio Department of Education removed Ashe Culture Center's authority to sponsor charter schools in September 2011. Pursuant to Ohio Revised Code, VCS may not operate without a sponsor. The Ohio Department of Education took over sponsorship of VCS while it seeks another sponsor.

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

Villaview Community School
Cuyahoga County
1701 East 12th Street
Cleveland, Ohio 44114

To the Board of Directors:

We have audited the financial statements of Villaview Community School, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 22, 2013, wherein we noted there was insufficient evidence to support adjustments made to Accounts Payable, Net Assets Beginning of Year, Defined Benefit Pension Plans and Post-Employment Benefit disclosures, and the Statement of Cash Flows. In addition, we noted the School had a net deficit balance of $117,117 and the School's sponsor is no longer permitted to sponsor Community Schools in Ohio. We also expressed substantial doubt regarding the schools ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

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A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-03 described in the accompanying schedule of findings to be a significant deficiency.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 22, 2013.

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

Dave Yost

Dave Yost
Auditor of State

March 22, 2013

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-01

Condition of Records – Material Noncompliance and Material Weakness

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

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the School. Also, management is responsible for developing and maintaining complete and accurate financial records.

Instead of complete and accurate financial records, we noted the following:

- The School provided a consolidated trial balance but adjustments made to various asset and liability accounts were unsupported;
- The Statement of Cash Flows was not presented consistently nor did it agree to the underlying financial statement data;
- The School's reported cash balance did not agree to the School's accounting records;
- The School does not perform a monthly School-wide bank-to-book reconciliation. The only reconciliation completed is for the School's main checking account and is generated from the School's accounting system on a monthly basis. These reconciliations are not accurate, nor are they reviewed;
- Checks were not issued in sequential order;
- Checking account reconciliations contained journal entries and a check that should not have been recorded as outstanding. Outstanding check totals also did not agree to the amounts reported in the financial statements;
- Interest accrued on a promissory note was not recorded in the financial statements;
- The School did not provide loan repayment agreements for its loan with Cleveland Community School which were approved by the Board;
- The Statement of Net Assets included a Prior Period Adjustment that was unsupported;
- The School did not maintain sufficient documentation to support amounts reported in the Defined Benefit Pension Plans and Post-Employment Benefits note disclosures;
- The Notes to the Basic Financial Statements were not presented consistently nor did they agree to the underlying financial statement data. This resulted in adjustments to amounts reported in Basis of Presentation, Cash and Cash Equivalents, Educational Facility Lease, Sponsorship – ASHE Culture Center Inc., LED Consulting – Treasury Services, Purchased Services, Debt Obligations and Fiscal Distress;
- The amounts reported in the statements as Accounts Payable provided for audit did not tie to underlying financial records and were incomplete;
- Three subsequent period expenditures were not properly recorded in the School's General Ledger as accounts payable;
- Federal and State Grant revenue were improperly recorded as Non-operating Student Lunch Fees, requiring an adjustment to be made to the financial statements;
- Checks only contained the signature of the Treasurer during the fiscal year;
- The School was unable to determine who should be issued 1099's; and
- The School was unable to provide a copy of Tax Form 990 it filed with the IRS.

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

**FINDING NUMBER 2011-01
(Continued)**

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

During our test of payroll disbursements, we noted the following:

- Two out of four employee personnel files tested did not contain the necessary retirement enrollment forms;
- Two out of four employee personnel files tested did not contain state and local income tax withholding forms; and
- The School did not provide supporting documentation for termination payouts to employees that left service during fiscal year 2011.

The School'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. Failure to implement and maintain a system of controls over the School's financial records increases the chances of misstatement.

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

FINDING NUMBER 2011-02

Development and Implementation of a Monitoring Control System - Material Noncompliance and Material Weakness

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

Monitoring is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. 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.

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

FINDING NUMBER 2011-02
(Continued)

Development and Implementation of a Monitoring Control System - Material Noncompliance and Material Weakness (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 School failed to perform adequate monitoring over financial activities. The lack of effective monitoring could lead to the misallocation or misstatement of School funds, expenditure of funds contrary to the directives of the Board, and non-compliance with federal or state laws or regulations. This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected and also led to a qualification over the financial statement opinion.

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.

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

FINDING NUMBER 2011-03

Governing Board Membership, Record of Minutes and Notice of Public Meetings - Material Noncompliance and Significant Deficiency

Ohio Rev. Code Section 3314.01 (B) provides a community school created under this chapter is a public school, independent of any school district, and is part of the state's program of education. The governing authority of a community school may carry out any act and ensure the performance of any function that complies with the Ohio Constitution, Title 33 of the Ohio Revised Code, other statutes applicable to community schools, and the contract entered into under chapter 3301 of the Revised Code establishing the school. Ohio Rev. Code Section 3314.02 (E) provides in part for a Governing Board of at least five members.

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

The following deficiencies related to Board meetings or meeting minutes were noted:

- The Board was only comprised of four members during the audit period;
- Other than one meeting during the audit period, the minutes were not signed off by a member of the Board or School official to note approval; and
- The School did not publicize nor display anywhere at its building where and when its meetings would be held.

It is the Board's responsibility to oversee the School's operations and make decisions to ensure the School's goals and objectives are accomplished. The Board is responsible for determining the direction in which the Academy is heading. This occurs only after a great deal of consultation with parents, staff and students of the School to ensure that the school is providing the highest quality of education possible and a safe place in which students can learn. The Board minutes represent the official record of the School events and resolutions passed by the Board of Directors. Without following Board meeting requirements for proceedings, it cannot be reasonably assured that the Board is meeting its obligation to oversee the School. Without the proper number of Board members, the Board may not have the necessary authority to properly approve and carry out its necessary business.

We recommend the School take the necessary steps to be in adherence with the above Ohio Rev. Code Sections.

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

FINDING NUMBER 2011-04

Annual Financial Reporting – Material Noncompliance

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

During our review of the School's annual financial report filed with Local Government Services for fiscal year 2011, we noted the report balances and totals were significantly misstated and misleading, and did not agree to the School's accounting system. In addition, no evidence was provided, by the School, that a public notice was published. This may prevent the public from being aware of the transparency available in the School.

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

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

Official's Response: The School declined to respond to the above findings.

VILLAVIEW COMMUNITY SCHOOL
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2010-001	Condition of Accounting Records	No	Re-Issued as Finding 2011-01
2010-002	Undocumented Enrollment for State Foundation Funding	Yes	
2010-003	Developing and Implementing an Effective Monitoring System	No	Re-Issued as Finding 2011-02
2010-004	Governing Board Membership and Record of Minutes	No	Re-Issued as Finding 2011-03

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Villaview Community School
Cuyahoga County
1701 East 12th Street
Cleveland, Ohio 44114

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Villaview Community School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

   Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010.

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

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

Dave Yost

Dave Yost
Auditor of State

March 22, 2013

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VILLAVIEW COMMUNITY SCHOOL

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
APRIL 4, 2013

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