



Mary Taylor, CPA
Auditor of State

**AB MIREE FUNDAMENTAL ACADEMY
HAMILTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Education Resources Consultants of Ohio, Inc.
Hamilton County
11260 Chester Rd. Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the accompanying basic financial statement of AB Miree Fundamental Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards* require us to obtain written representations from management as part of our audit. Management has not provided the Auditor of State written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

The Academy did not maintain supporting documentation for student full-time equivalencies reported to the Ohio Department of Education (ODE); the full-time equivalencies are used by ODE to calculate the Academy's State Foundation Settlement payments for the amounts shown as Foundation Payment revenue of \$1,943,405 on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows.

The Academy did not provide sufficient evidence to support the completeness and accuracy of expenses as presented on the Academy's Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows and we were unable to gain these assurances through other audit procedures.

Governmental Accounting Standards Board, Financial Reporting Codification Standards, Section 2300.106(g) requires disclosure of significant effects of subsequent events. The Academy failed to disclose in the notes to the financial statements that the Academy ceased operations on May 6, 2009.

Due to the significance of the matters discussed in the preceding paragraphs, 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 AB Miree Fundamental Academy, Hamilton County, Ohio as of June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

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www.auditor.state.oh.us

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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 19, 2010

A. B. MIREE FUNDAMENTAL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The discussion and analysis of the A.B. Miree Fundamental Academy's, Hamilton County, Ohio (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- In total, Net Assets increased \$26,429.
- Total assets increased \$27,295.
- Total liabilities increased \$866. Accounts payable increased \$146,282 and the line of credit decreased \$100,000.

Using this Financial Report

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy as a financial whole.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Academy. The Academy has one major fund for business-type activities.

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answers the question, "How did we do financially during 2008?" 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 Academy's net assets for fiscal year 2008 and fiscal year 2007:

	Table 1 Net Assets	
	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$121,822	\$76,616
Capital Assets	<u>20,857</u>	<u>38,768</u>
Total Assets	<u>142,679</u>	<u>115,384</u>
Liabilities		
Current Liabilities	417,766	416,179
Non-Current Liabilities	<u>0</u>	<u>721</u>
Total Liabilities	<u>417,766</u>	<u>416,900</u>
Net Assets		
Invested in Capital Assets, Net of Debt	20,857	38,768
Unrestricted	<u>(295,944)</u>	<u>(340,284)</u>
Total Net Assets	<u><u>(\$275,087)</u></u>	<u><u>(\$301,516)</u></u>

Net assets increased by \$26,429. This increase was due to the Academy's revenues exceeding expenses. The majority of operating expenses is for salaries and purchased services. Current Assets increased mostly due to Equity in Pooled Cash and Cash Equivalents increasing \$110,839.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Foundation Payments	\$1,943,405	\$2,032,703
Other	5,417	12,935
Non-Operating Revenues:		
Federal and State Grants	<u>504,731</u>	<u>441,935</u>
Total Revenues	<u>2,453,553</u>	<u>2,487,573</u>
Operating Expenses:		
Salaries	1,102,715	1,435,006
Fringe Benefits	256,027	199,513
Purchased Services	947,678	1,054,152
Materials and Supplies	38,463	44,937
Depreciation	19,525	51,384
Other Expenses	62,709	15,232
Non-Operating Expenses:		
Interest	<u>7</u>	<u>134</u>
Total Expenses	<u>2,427,124</u>	<u>2,800,358</u>
Change in Net Assets	<u>26,429</u>	<u>(312,785)</u>
Beginning Net Assets	<u>(301,516)</u>	<u>11,269</u>
Ending Net Assets	<u><u>(\$275,087)</u></u>	<u><u>(\$301,516)</u></u>

Net assets increased by \$26,429. This was a result of the Academy's revenues exceeding expenses. Revenues decreased \$34,020 mostly due to a decrease in foundation payments received. Expenses in total remained relatively consistent. Total expenses decreased \$373,234 as management tailored spending to available revenues. Depreciation dropped because the Academy disposed of their leasehold improvements.

Capital Assets

At the end of fiscal year 2008 the Academy had \$20,857 invested in Capital Assets. See Table 3 for details:

Table 3
Capital Assets
(Net of Depreciation)

	<u>2008</u>	<u>2007</u>
Furniture, Fixtures and Equipment	\$20,857	\$35,155
Capital Lease	<u>0</u>	<u>3,613</u>
Total Net Capital Assets	<u><u>\$20,857</u></u>	<u><u>\$38,768</u></u>

For more information on capital assets see Note 4 to the basic financial statements.

Line of Credit

At June 30, 2008, the Academy had no outstanding balance for the line of credit. Table 5 summarizes the line of credit.

Table 5
Line of Credit, at Year End

	<u>2008</u>	<u>2007</u>
Line of Credit	\$0	\$100,000

For more information on the line of credit see Note 11 to the basic financial statements.

Current Financial Issues

The A. B. Miree Fundamental Academy, Hamilton County, Ohio (the Academy), was formed in 2000. During the 2007-2008 school year there were approximately 380 students enrolled in the Academy. The Academy receives its finances mostly from state aid.

Net assets at June 30, 2008 had a deficit balance of \$257,087. The Academy must plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Franklin Carter, Treasurer at A. B. Miree Fundamental Academy, 1660 Stern Block Lane, Cincinnati, Ohio, 45237.

A. B. MIREE FUNDAMENTAL ACADEMY

Statement of Net Assets

June 30, 2008

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$121,822
Total Current Assets	<u>121,822</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	20,857
Total Non-Current Assets	<u>20,857</u>

Total Assets	<u>\$142,679</u>
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Liabilities

Current Liabilities:

Accounts Payable	\$189,514
Accrued Wages and Benefits	228,252
Total Liabilities	<u>417,766</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	20,857
Unrestricted	<u>(295,944)</u>
Total Net Assets	<u>(\$275,087)</u>

See accompanying notes to the basic financial statements

A. B. MIREE FUNDAMENTAL ACADEMY
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008

Operating Revenues	
Foundation Payments	\$1,943,405
Other Revenues	5,417
	<hr/>
Total Operating Revenues	1,948,822
Operating Expenses	
Salaries	1,102,715
Fringe Benefits	256,027
Purchased Services	947,678
Materials and Supplies	38,463
Depreciation	19,525
Other	62,709
	<hr/>
Total Operating Expenses	2,427,117
	<hr/>
Operating Loss	(478,295)
Non-Operating Revenues and Expenses	
Federal and State Meal Subsidies	134,684
Interest	(7)
Other Federal and State Grants	370,047
	<hr/>
Total Non-Operating Revenues and Expenses	504,724
	<hr/>
Change in Net Assets	26,429
	<hr/>
Net Assets Beginning of Year	(301,516)
	<hr/>
Net Assets End of Year	(\$275,087)
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See accompanying notes to the basic financial statements

A. B. MIREE FUNDAMENTAL ACADEMY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2008

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$1,943,405
Cash Payments to Employees for Services	(1,403,438)
Cash Payments to Suppliers for Goods and Services	(836,935)
Other Operating Revenues	5,417

Net Cash (Used) Provided by Operating Activities (291,551)

Cash Flows from Noncapital Financing Activities:

State and Federal Grants Received	<u>504,731</u>
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Net Cash Provided by Noncapital Financing Activities 504,731

Cash Flows from Capital and Related Financing Activities:

Proceeds from Line of Credit	167,000
Payments on Line of Credit	(267,000)
Payments for Capital Assets	(1,613)
Capital Lease Payments Including Interest	<u>(728)</u>

Net Cash Used Capital and Related Financing Activities (102,341)

Net Increase (Decrease) in Cash and Cash Equivalents 110,839

Cash and Cash Equivalents at Beginning of Year 10,983

Cash and Cash Equivalents at End of Year \$121,822

Reconciliation of Operating Income to Net Cash Provided

Used for Operating Activities:

Operating Income (Loss) (\$478,295)

Adjustments To Reconcile Operating Income (Loss) to Net Cash
Provided (Used) for Operating Activities:

Depreciation	19,525
Changes in Assets and Liabilities:	
(Increase) Decrease in Prepaid Items	65,633
Increase (Decrease) in Accounts Payable	146,281
Increase (Decrease) in Accrued Wages	(36,720)
Increase (Decrease) in Intergovernmental Payable	<u>(7,975)</u>
Total Adjustments	<u>186,744</u>

Net Cash (Used) Provided by Operating Activities (\$291,551)

See accompanying notes to the basic financial statements

A. B. MIREE FUNDAMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

A. B. MIREE FUNDAMENTAL ACADEMY, Hamilton County, Ohio Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through eight. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. A. B. MIREE FUNDAMENTAL ACADEMY qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2000. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a seven-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract 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 Directors controls the Academy's one instructional/support facility staffed by 13 non-certified and 27 certificated full time teaching personnel who provide services to approximately 380 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the A. B. MIREE FUNDAMENTAL ACADEMY have been prepared in conformity with 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 Academy 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 Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

The Academy 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 Academy 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 Academy'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 transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

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 Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

E. Equity in Pooled Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's Chief Financial Officer. For cash management, all cash received by the chief financial officer is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "equity in pooled cash and cash equivalents" on the accompanying statement of net assets.

The Academy had no investments during the fiscal year.

F. Capital Assets

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 market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold Improvements	Life of Lease
Furniture, Fixtures and Equipment	5 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt consists 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. The Academy had \$0 restricted by enabling legislation.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state and sales for food service. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

I. 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.

NOTE 3 - DEPOSITS

At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits totaled \$121,822 and its bank balance was \$140,029. Based on the criteria described in GASB statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, \$100,000 of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

Investments: The Academy had no investments at June 30, 2008, or during the fiscal year.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital Assets Being Depreciated:				
Leasehold Improvements	\$1,762,088	\$0	\$1,762,088	\$0
Capital Lease	12,549	0	12,549	0
Furniture, Fixtures, and Equipment	268,175	1,614	0	269,789
Total Capital Assets Being Depreciated	2,042,812	1,614	1,774,637	269,789
Less Accumulated Depreciation:				
Leasehold Improvements	1,762,088	0	1,762,088	0
Capital Lease	8,936	0	8,936	0
Furniture, Fixtures, and Equipment	233,020	19,525	3,613	248,932
Total Accumulated Depreciation	2,004,044	19,525	1,774,637	248,932
Capital Assets, Net	\$38,768	(\$17,911)	\$0	\$20,857

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Academy contracted with Zurich Insurance Company for general liability, property insurance, educational errors insurance, and omissions insurance.

Coverages are as follows:

Contents (\$1,000 deductible)	\$250,000
Educational Errors and Omissions (Aggregate & Each Claim)	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant change in insurance coverage from last year.

B. Workers' Compensation

The Academy pays 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.

NOTE 6 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$51,334, \$46,068, and \$40,956, respectively; 53% has been contributed for fiscal year 2008 and 100% for fiscal year 2007 and 2006.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The School District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$120,864, \$150,300, and \$136,500, respectively; 74% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

NOTE 7 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (latest information available) was \$93.50; SERS' reimbursement to 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 year 2007 (latest information available), the actuarially required allocation was .68%. School District contributions for the year ended June 30, 2008 were \$2,494, which equaled the required contributions for the year.

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, 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. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (the latest information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District contributions for the years ended June 30, 2008, 2007, and 2006 were \$12,174, \$11,254, and \$10,005, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

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

The 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 SERS' website at www.ohsers.org under *Forms and Publications*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District contributions for the years ended June 30, 2008, 2007, and 2006 were \$8,633, \$10,736, and \$9,750, respectively.

NOTE 8 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Education. All employees who work more than 25 hours a week are given one personal day and five sick days each year. Administrative personnel receive vacation leave. No carry over of the personal day, sick days, and vacation leave is permitted. Therefore, there is no liability for benefits accrued at June 30, 2008.

B. Insurance Benefits

The Academy provides life, dental and medical/surgical benefits to most employees through The Olverson Insurance Agency. The Academy pays 100% of the monthly premium.

NOTE 9 – OPERATING LEASE

The Academy leases their school building from Aledol, Inc., which is a company owned and operated by Alfred E. Olverson, Sr. A lease was signed for five years beginning July 1, 2005. The Academy recognized an expense of \$400,014 for current year rent. The landlord grants three options of five years each to extend this lease beyond the initial lease period at a lease rate to be negotiated with the landlord and consummated at least sixty days prior to the end of any lease period. The annual lease amount is adjusted by the average increase in the U. S. Consumer Price Index for the twelve months from June 1 to May 31 for each year of the lease.

NOTE 10 – CAPITALIZED LEASE – LESSEE DISCLOSURE

During fiscal year 2003, the Academy entered into a capital lease for the acquisition of a printer/copier/fax machine. The terms of the Agreement provide options to purchase the equipment.

This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The remainder of the lease was paid off in fiscal year 2008 and the asset was disposed of by the Academy.

NOTE 11 – LINE OF CREDIT

The change in the Academy’s line of credit during the year consist of the following:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Line of Credit	\$100,000	\$167,000	(\$267,000)	\$0	\$0

NOTE 12 - CONTINGENCIES

A. Grants

The Academy 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio’s Community (i.e., Charter) Schools program violates the State Constitution and State law. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004 the Court of Appeals rendered a decision that Community schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

The Academy has included in accounts payable the amount of \$178,964 for the possible outcome of litigation against the Academy.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Academy paid \$400,014 in lease payments during fiscal year 2008 to ALEDOL, Inc. which is owned by one time School Board Member Alfred E. Olverson, Sr.

The Academy paid \$75,407 in custodial and maintenance services to Forty Acres during fiscal year 2008. Forty Acres is co-owned by one time School Board Member Alfred E. Olverson, Sr. and Alfred Olverson, Jr.

The Academy paid \$140,596 during fiscal year 2008 to United Health for life, dental and medical benefits. The Academy uses Olverson Insurance Agency owned by one time School Board Member Alfred Olverson, Sr.

Paulene Olverson, who was the superintendent of the Academy for part of the fiscal year 2008 is married to one time School Board Member Alfred E. Olverson, Sr.

The Academy received three interest free loans from related parties in 2008. The loans were as follows: a \$10,000 loan from Tom Shafer, treasurer consultant, a \$3,307 loan from Kevin Costa, business manager, and a \$4,000 loan from M.C. Adams, the Academy's superintendent.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 50 "Pension Disclosures."

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other postemployment benefits (OPEB)."

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

NOTE 15 – PURCHASED SERVICES

For the year ended June 30, 2008, purchased service expenses were comprised of the following:

Staff Development	\$116,751
Janitorial Service	75,407
School Site Lease	400,014
Utilities	69,248
Repair and Maintenance	27,786
Communications	3,620
Food Service Contract	136,483
Administrative	36,538
All Other Services	81,831
Total Purchased Services	<u>\$947,678</u>

NOTE 16 – SUBSEQUENT EVENTS

A.B. Miree Fundamental Academy changed its name to the Cincinnati Academy of Excellence effective July 1, 2008.

The Academy broke its building lease with ALEDOL, Inc. in July 2008 and entered into a new building lease for Fiscal Year 2009 with Cleaster Mims College Preparatory Inc. The building is located at 6760 Belkenton Avenue, Cincinnati, Ohio 45236. The term of the new lease is for two years beginning on August 15, 2008, with the opportunity to renew for an additional year. The Academy will pay a security deposit of \$30,000 and make monthly rent payments of \$15,000 on the 15th day of each month.



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*

Education Resources Consultants of Ohio, Inc.
Hamilton County
11260 Chester Rd. Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the financial statements of AB Miree Fundamental Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 19, 2010, in which we disclaimed an opinion upon the financial statements because we were unable to obtain written representations; evidence regarding the accuracy of the Academy's Foundation Payment revenue of \$1,943,405 presented in Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows was not provided; evidence was not provided to support the completeness and accuracy of expenses as presented on the financial statements; the Academy failed to disclose in the notes to the financial statement operations ceased May 6, 2009. Therefore, we did not express an opinion on the basic financial statements.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified 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 Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001, 2008-002, 2008-006, and 2008-007 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001, 2008-002, 2008-006, and 2008-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated October 19, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our testing 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 2008-001 through 2008-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated October 19, 2010.

We intend this report solely for the information and use of management, the 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 19, 2010

**AB MIREE FUNDAMENTAL ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

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

FINDING NUMBER 2008-001

Noncompliance/Material Weakness

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code.

Ohio Rev. Code, Section 149.43(B), states, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

In addition, **Ohio Rev. Code, Section 3314.03(A)(8)**, requires that each contract entered into between a sponsor and the governing authority of a community school shall require the school to maintain financial records in the same manner as all public school districts in the State of Ohio.

- AB Miree Fundamental Academy (the Academy) did not maintain proper supporting documentation for all expenditures. After numerous requests, detailed invoices were not provided for the period of July 1, 2007 through June 30, 2008 for 44 purchases (seven percent) totaling \$185,571. We applied alternate audit procedures to determine if these expenditures were for a proper public purpose and other than the expenditures we are questioning in finding 2008-003, the expenditures were deemed to be for proper public purposes.
- The Academy paid \$122 to Document Destruction, LLC to have 12 boxes of documents destroyed; which may have included personnel files.
- 303 disbursements totaling \$482,020 recorded in the general ledger could not be traced to bank statements, as the Academy did not provide bank statements for the general account used from August 2007 through February 2008. The Academy also did not provide the July 2008 bank statement.
- Approved employment contracts were unavailable for 46 out of 52 (eighty-eight percent) employees for the audit period. There was no documentation provided that indicated salary rates of the employees of the Academy, therefore we were unable to substantiate if employees were paid the correct amounts during the audit period or if the liability accrued at June 30, 2008 was accurate.
- Signed payroll timesheets were unavailable for the period of July 1, 2007 through June 30, 2008.
- Bank statements for the payroll account used from July 2007 to February 2008 were not provided.
- The Academy's Treasurer's Contract was unavailable to compare total compensation per the payroll register to the amount in the treasurer's contract.
- Other employee information, i.e. retirement enrollment, income tax withholding forms, insurance enrollment forms, etc. were not provided for nine employees of the Academy.

**FINDING NUMBER 2008-001
(Continued)**

Financial Records

There were significant delays in receiving requested records. Records presented for audit were disorganized and incomplete. In several cases, the information requested was never located by management or received by the auditors. The lack of organized and complete accounting records decreased the Academy's ability to monitor its financial position.

Due to these weaknesses and without complete evidential matter we were unable to gain assurance over the completeness, existence, accuracy, or rights of the Academy's non-payroll and payroll expenses, and related transactions which contributed to the issuance of a disclaimed financial statement opinion.

FINDING NUMBER 2008-002

Noncompliance/Material Weakness

Ohio Rev. Code, Section 3314.17(C), states that each fiscal officer appointed under section 3314.011 of the Revised Code is responsible for annually reporting the community school's data under section 3301.0714 of the Revised Code. Ohio Rev. Code Section 3301.0714(B)(1)(c)-(l) & (n) require the following data must be reported to the Ohio Department of Education:

- Average student grades in each subject in grades nine through twelve
- Academic achievement levels as assessed by the testing of student achievement
- The number of students designated as having a disabling condition
- The numbers of students reported to the state board pursuant to Ohio Rev. Code Section 3301.0711(C)(2)
- Attendance rates and the average daily attendance for the year
- Expulsion, Suspension, Graduation and Dropout rates
- The percentage of students receiving corporal punishment
- Rates of retention in grade

The Treasurer was responsible for ensuring the aforementioned student information was reported to the Ohio Department of Education's (ODE's) Community School Average Daily Membership (CSADM) and Education Management Information System (EMIS) databases. For the year ended June 30, 2008, A.B. Miree Fundamental Academy failed to maintain attendance records and withdrawal forms for all students.

Because of the lack of documentation, we were unable to ascertain the following:

- An accurate average daily membership count, no attendance records were provided for audit.
- The withdrawal dates of students, no withdrawal forms were provided for audit.

Since most State and Federal grants and entitlements are based on student attendance and socioeconomic status of students, the accuracy of funding received could not be ascertained. For the Academy this resulted in \$1,943,405 of 2008 foundation receipts, which could not be verified that resulted in a disclaimer of opinion.

FINDING NUMBER 2008-002
(Continued)

We recommend the Academy develop procedures to properly document the number of student attendance and properly input the amounts into the CSADM and EMIS databases. In addition, the Academy should train employees on the procedures and monitor the process regularly.

This matter will be referred to the Ohio Department of Education.

FINDING NUMBER 2008-003

Finding For Recovery

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Revised Code.

Ohio Rev. Code, Section 149.43, states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case *States ex rel. McClure v. Hagerman, 155 Ohio St. 329 (1951)*, states that expenditures made by a governmental unit must serve a proper public purpose.

During the FY 2008 audit during our review of expenditures for (A.B. Miree Fundamental Academy) we noted check number 1165 in the amount of \$300 was issued at the request of Former Director MC Adams for petty cash. However, there were no detailed invoices or receipts provided to support this expenditure. Without appropriate documentation, it is not possible to determine if the expenditure was made for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against MC Adams, Director in the amount of \$300 and in favor of Cincinnati Academy of Excellence, formerly known as AB Miree Fundamental Academy.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Additionally, because former Consultant/Financial Advisor Kevin Costa signed or authorized the payments, he is jointly and severally liable in the amount of \$300, and in favor of the Cincinnati Academy of Excellence, formerly known as AB Miree Fundamental Academy. Kevin Costa shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from MC Adams.

FINDING NUMBER 2008-004

Noncompliance

26 U.S.C. Section 6652(c)(1)(A), provides that, in the case of an organization having gross receipts exceeding \$1,000,000 for any year, a penalty of \$100 a day, not to exceed \$50,000 may be charged when an annual return for an exempt organization is filed late. The penalty begins on the due date for filing Form 990 or 990-EZ. The annual return must be filed by the 15th day of the fifth month after the end of the annual accounting period.

26 U.S.C. 1.6041-1 requires 1099s to be issued to independent contractors (other than corporations) receiving \$600 or more during a year.

- The Academy's records provided for audit indicated they had 27 independent contractor contracts valued at approximately \$277,759 and Form 1099-Misc was not provided for any of the 27 contracts for the period July 1, 2007 through June 30, 2008.
- Form 990 was not provided to demonstrate the annual required filing with the Internal Revenue Service.

Failure to comply with these requirements can cause the Academy to incur penalties and interest with the Internal Revenue Service. We recommend that all applicable forms be accurately and timely filed with the Internal Revenue Service.

This will be referred to the Internal Revenue Service.

FINDING NUMBER 2008-005

Noncompliance

Ohio Rev. Code, Section 3314.03(A)(10), provides that all community school classroom teachers are to be licensed in accordance with Ohio Revised Code Sections 3319.22 to 3319.31, except that a community school may engage noncertificated persons to teach up to twelve hours per week pursuant to Ohio Revised Code Section 3319.301. A permit must be issued by the Ohio Dept. of Education to these "noncertificated" persons in order to teach. Also, 34 C.F.R. Section 200.56, requires Title I teachers to be highly qualified as defined in this section.

No licenses or permits could be provided for any of the teachers or teacher aides for the audit.

This practice could result in students being taught by unqualified/unlicensed teachers. We recommend that the School comply with all federal and state teaching guidelines by hiring licensed teachers, regularly reviewing the status of their teachers, and maintaining supporting documentation in their personnel files.

This matter will be referred to the Ohio Department of Education.

FINDING NUMBER 2008-006

Noncompliance/Material Weakness

2 C.F.R. 225 Appendix A (E)(1)(2) sets the guidelines for determining if a direct cost is considered to be allowable per the federal program. These guidelines state:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:

FINDING NUMBER 2008-006
(Continued)

- a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
- b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

2 C.F.R. 225 Appendix A (C)(1)(j) provides “to be allowable under Federal awards, cost must meet the following general criteria:...be adequately documented.”

The School is required to identify all expenditures that are specifically for the performance of Title I, Title II-A and all other federal program funds and determine if the expenditures are allowable per 2 CFR 225 Appendix A before expending money from Title I, Title II-A, and all other federal program funds. Failure to properly identify allowable costs to the federal programs may lead to monies having to be paid back to the federal program and/or having monies withheld from the federal program in the future.

The School charged the salary of their Director to Title I and Title II-A federal programs in the amount of \$33,833 and \$16,667, respectively. The School did not provide us with time and effort sheets and/or a semi-annual certification identifying that the services of the Director were specifically for the performance of Title I and Title II-A federal programs. In addition, we noted \$66,812 in other non-payroll expenses charged to various federal programs that had no supporting documentation to determine if the expenses were allowable under the various federal awards or the information made available for audit did not provide evidence to verify the expenditures were specifically incurred to carry out the grant. As a result of the lack of detailed records to support the payroll expenses paid from the Title I and Title II-A programs and the non-payroll expenses charged to various federal programs we were unable to determine if the federal grant money was expended for costs considered allowable under federal requirements.

We recommend the School follow 2 CFR 225 Appendix A to determine which expenditures are considered to be allowable to be used from federal funds. By following 2 CFR 225 Appendix A, the School can ensure federal funds are being expended properly, and this will reduce the possibility of the School having to pay back federal funds and/or having federal funds withheld in future years.

Had this been a federal Single Audit the amounts mentioned above could have been questioned costs.

FINDING NUMBER 2008-007

Material Weakness

Governmental Accounting Standards Board, Financial Reporting Codification Standards, (GASB Codification) Section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements.

GASB Codification Section 2300.106 (g) requires disclosure of significant effects of subsequent events. The Academy’s notes to the financial statements presented for audit did not contain a subsequent event note disclosing the Academy’s closure in May 2009.

The notes to the financial statements lacked the required disclosures defined above in the Codification. The additional disclosures should have been made to communicate information essential for fair presentation of the basic financial statements not displayed on the face of the financial statements.

**FINDING NUMBER 2008-007
(Continued)**

It is vital that the Academy present financial statements including all required financial statements and disclosures. Without these disclosures the financial statements are incomplete, could be misinterpreted, and improper conclusions could be reached.

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

**AB MIREE FUNDAMENTAL ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Adjustments to the Financial Statements	Yes	
2007-002	Federal Assistance Schedule	No	Reissued in the management letter
2007-003	Capital Assets Policy	No	Reissued in the management letter.
2007-004	Five Year Forecast	Yes	
2007-005	Inventory of Equipment	No	Reissued in the management letter.
2007-006	Tracking Free and Reduced Lunches	Yes	
2007-007	Competitive Bidding	Yes	
2007-008	Certification from Vendors	Yes	
2007-009	Maintaining Records	No	Not Corrected. Issued as 2008-001
2007-010	Approving Payments	Yes	
2007-011	Certifying Expenditures Prior to Incurring Obligation	Yes	
2007-012	Filing of the Annual Report	Yes	
2007-013	Monitoring by the Sponsor	Yes	

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Mary Taylor, CPA
Auditor of State

AB MIREE FUNDAMENTAL ACADEMY

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 9, 2010**