



**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

A. B. Miree Fundamental Academy  
Hamilton County  
1660 Sternblock Lane  
Cincinnati, Ohio 45237

To the Board of Trustees:

We have audited the accompanying Balance Sheet of A. B. Miree Fundamental Academy, Hamilton County, Ohio (the Academy), as of June 30, 2001, and the related Statement of Revenues, Expenses and Changes in Retained Earnings, and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A. B. Miree Fundamental Academy, Hamilton County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows 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 21, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

June 21, 2002

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**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2001**

**Assets**

Current Assets

Cash	\$154,705
Intergovernmental Receivable	<u>137,160</u>
Total Current Assets	291,865

NonCurrent Assets

Fixed Assets	<u>760,636</u>
Total Noncurrent Assets	<u>760,636</u>
Total Assets	<u><u>\$1,052,501</u></u>

**Liabilities and Fund Equity**

Current Liabilities

Accounts Payable	\$29,446
Intergovernmental Payable	36,300
Contract Payable	4,301
Accrued Wages & Benefits	117,678
Loan Payable	532,795
Capital Lease Payable	<u>4,659</u>
Total Liabilities	<u>725,179</u>

Noncurrent Liabilities

Capital Lease Payable	<u>9,749</u>
Total Liabilities	734,928

Fund Equity

Retained Earnings	<u>317,573</u>
Total Fund Equity	<u>317,573</u>

Total Liabilities and Fund Equity	<u><u>\$1,052,501</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2001**

<b><u>Operating Revenues</u></b>	
State Foundation Payments	\$1,871,782
Other Operating Revenues	<u>6,423</u>
Total Operating Revenues	<u>1,878,205</u>
<b><u>Operating Expenses</u></b>	
Salaries	818,925
Fringe benefits	222,938
Purchased services	558,371
Supplies and materials	20,450
Operation, Maintenance & Repair	8,625
Depreciation	190,159
Other	<u>33,073</u>
Total Operating Expenses	<u>1,852,541</u>
Operating Income	25,664
<b><u>Non-operating Revenues (Expense)</u></b>	
State Grant	2,000
Federal Grant	289,227
Interest Expense	<u>(22,832)</u>
Total Non-Operating Revenues	<u>268,395</u>
Net Income	294,059
Retained earnings at beginning of year	<u>23,514</u>
Retained earnings at end of year	<u>\$317,573</u>

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



**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2001**

**Increase (Decrease) In Cash And Cash Equivalents**

**Cash Flows From Operating Activities**

Cash Received from State of Ohio	\$1,842,102
Cash Received from Other Operating Revenue	6,423
Cash Payments to Suppliers for Goods and Services	(591,073)
Cash Payments to Employees for Services	(701,247)
Payments to Employee Benefits	<u>(186,638)</u>
Net Cash Provided by Operating Activities	<u>369,567</u>

**Cash Flows From Noncapital Financing Activities**

Federal and State Grants Received	<u>183,747</u>
Net Cash Provided by Noncapital Financing Activities	<u>183,747</u>

**Cash Flows From Capital And Related Financing Activities**

Debt Proceeds	1,352,796
Payments for Acquisition of Capital Assets	(931,711)
Loan Payments	<u>(843,208)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(422,123)</u>

Net Increase in Cash and Cash Equivalents 131,191

Cash and Cash Equivalents at Beginning of Year 23,514

Cash and Cash Equivalents at End of Year \$154,705

**Reconciliation Of Operating Income To Net**

**Cash Provided By Operating Activities**

Operating Income 25,664

**Adjustments To Reconcile Operating Income**

**To Net Cash Provided By Operating Activities**

Depreciation	190,159
Changes in assets and liabilities:	
Increase in Intergovernmental Receivable	(29,680)
Increase in Accounts Payable	29,446
Increase in Intergovernmental Payable	36,300
Increase in Accrued Wages and Benefits	<u>117,678</u>
Total Adjustments	<u>343,903</u>
Net Cash Used For Operating Activities	<u><u>\$369,567</u></u>

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

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**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

A. B. Miree Fundamental Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code, Chapters 3314 and 1702, to address the needs of students by utilizing an approach to education involving the community. The Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy's management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's exempt status. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, 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 school.

The Academy was approved for operation under a contract with the State Board 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, which shall include a parent and community members. The Board 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 12 non-certificated and 25 certificated full-time teaching personnel who provide services to a minimum of 374 students during the fiscal year 2001. A Board member of the Academy also serves on the Board of Harmony Community - Cincinnati, Inc, another charter school. The Treasurer is responsible for directing the financial affairs of the Academy including accounting, purchasing, insurance, housekeeping and maintenance and is responsible for reporting the progress of the Academy against those responsibilities.

Cincinnati Public Schools provide student transportation to and from the Academy.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of A. B. Miree Fundamental Academy have been prepared in conformity with generally accepted accounting principles 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 statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below:

**A. Basis Of Presentation**

The Academy uses enterprise accounting to track and report its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by its 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 balance sheet. The operating statements present 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 relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary process for the Academy, requiring that the Co-Directors, Business Manager, and the Board of Directors review the financial statements for the Academy monthly. In addition, the Academy is required to prepare a twelve-month cash forecast on a quarterly basis.

**D. Cash**

Monies for all funds of the Academy are maintained in two bank accounts in the Academy's name. The total cash for the Academy is presented as "cash" on the accompanying balance sheet.

**E. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions/and retirements during the year. Fixed assets were purchased during the year that warranted capitalization and depreciation. The Academy maintains a capitalization threshold of five hundred dollars. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. The Academy's building, used to house their school, is leased and therefore, is not listed as a fixed asset. Improvements to the leased building is depreciated over the remainder of the five-year lease. The Academy does not possess any infrastructure.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy also participates in various federal programs through the Ohio Department of Education. Revenue received from these programs is recognized as non-operating revenue in the accounting period in which all the eligibility requirements have been made. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

The Academy participates in the Federal Charter School Sub-Grant Program through the Ohio Department of Education. Under this program, during the year ending June 30, 2001 the Academy received \$90,000 to offset startup costs of the Academy.

**3. RETAINED EARNINGS - OPENING BALANCE - JULY 1, 2000**

As of July 1, 2000, the Academy had a beginning retained earnings balance of \$23,514. This was comprised of the following:

Federal Charter Start-up Grant received May 2000	\$50,000
Donation received April 2000	300
Expenses in May and June 2000	<u>(26,786)</u>
Balance at July 1, 2000	<u>\$23,514</u>

**4. CASH AND DEPOSITS**

At June 30, 2001, the Academy had a cash balance of \$154,705. The bank balance of the Academy's deposits was \$155,472, of which \$105,033 was covered through federal depository insurance (FDIC) and \$50,439 which was uninsured and uncollateralized.

**5. RECEIVABLES**

Receivables at June 30, 2001, consisted of foundation and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**5. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
State Foundation Payments	\$ 29,680
Title I - Disadvantaged Children	91,543
Title II - Eisenhower Professional Development	257
Title VI - Innovative Assistance Program	1,685
Title IV - Safe, Drug-Free Schools	2,203
Title VI-R - Class Size Reduction	<u>11,792</u>
Total	<u><u>\$137,160</u></u>

**6. FIXED ASSETS**

A summary of the Enterprise Fund's fixed assets at June 30, 2001, follows:

Leasehold Improvements - Building	\$927,662
Furniture and Equipment	23,133
Less: Accumulated Depreciation	<u>(190,159)</u>
Net Fixed Assets	<u><u>\$760,636</u></u>

**7. 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. For fiscal year 2001, the Academy contracted with Olverson Insurance Company for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy.

Professional liability is also protected by Olverson Insurance Company with a \$1,000,000 single occurrence limit and \$2,000,000 aggregate and \$1,000 deductible.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

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

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.55 percent was the portion to fund pension obligation. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The Academy's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2001 was \$7,746 and 96 percent has been contributed for fiscal year 2001. \$310 represents the unpaid contribution for fiscal year 2001.

**B. State Teachers Retirement System**

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Academy is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2001 was \$54,116 and 95.73 percent has been contributed for fiscal year 2001. \$2,311 represents the unpaid contribution for fiscal year 2001.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. POST EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the Academy, this amount equaled \$25,634 during the 2001 fiscal year. \$1,095 represents the unpaid contribution for fiscal year 2001.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the Academy, the amount to fund health care benefits, including surcharge, equaled \$12,673 during the 2001 fiscal year. \$472 represents the unpaid contribution for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

All employees who work more than 25 hours a week are given one personal day and five sick days. Administrative personnel receive vacation leave, but it is not cumulative. 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, 2002.

**B. Employee Medical and Dental Benefits**

The Academy has purchased insurance from Olverson Insurance Agency to provide employee medical/surgical and dental benefits. The Academy pays 100% of the monthly premium.



**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. OPERATING LEASE**

The Academy leases their school building from Aledol, Inc., which is a company owned and operated by Alfred E. Olverson, Sr., a member of the Board of Directors. A lease was signed for five years beginning June 1, 2000. The annual lease amount will be adjusted by the average increase in the U. S. Consumer Price Index as published by the U. S. Department of Labor for the twelve months from June 1<sup>st</sup> to May 31<sup>st</sup> of each year, to be first applied July 1, 2001. 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 following is a schedule of the minimum future lease payments required under this operating lease as of June 30, 2001:

Fiscal Year Ending June 30,	
2002	\$180,000
2003	180,000
2004	180,000
2005	<u>180,000</u>
Total	<u>\$720,000</u>

**12. CAPITALIZED LEASE - LESSEE DISCLOSURE**

During fiscal year 2001, the Academy entered into a new capital lease for the acquisition of a printer, copier, fax machine. The terms of the agreement provide options to purchase the equipment. The 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.

Fixed assets acquired by a lease have been capitalized in the amount of \$14,784, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded. Principal payments in fiscal year 2001 totaled \$376.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001:

Fiscal Year Ending June 30,	Long-Term Obligations
2002	\$5,397
2003	5,397
2004	<u>4,947</u>
Total	15,741
Less: Amount Representing Imputed Interest	<u>(1,333)</u>
Present Value of Minimum Lease Payments	<u>\$14,408</u>

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. SHORT-TERM OBLIGATIONS**

	<u>Amount Outstanding 7/1/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/01</u>
Park National Bank Loan November 17, 2000 10.5%	\$0	\$260,000	\$260,000	\$0
Park National Bank Loan March 23, 2001 9%	0	560,000	560,000	0
Park National Bank Loan June 23, 2001 9%	<u>0</u>	<u>532,795</u>	<u>0</u>	<u>532,795</u>
Total Short-Term Obligations	<u>\$0</u>	<u>\$1,352,795</u>	<u>\$820,000</u>	<u>\$532,795</u>

On November 17, 2000, the Academy entered into a loan in the amount of \$260,000 for the purpose of funding improvements to the Academy's leased school building. The loan had an interest rate of 10.5% and matured on April 30, 2001. This loan was paid off with the proceeds of the loan dated March 23, 2001. The loan was collateralized by a Security Agreement and Assignment of Funds executed by the Academy; a Guaranty executed and delivered by each of the following: Aledol, Inc., an Ohio Corporation, Alfred E. Olverson, Sr. and Pauline Olverson, Board Member and Director, respectively.

On March 23, 2001, the Academy entered into a loan in the amount of \$560,000 for purposes of paying off the November 17, 2000 loan and funding additional improvements to the Academy's facilities. The loan had an interest rate of 9.0% and matured on June 23, 2001. This loan was paid off with proceeds of the loan that was entered into on June 23, 2001 and matures on June 23, 2002. The loan is collateralized by personal and commercial properties owned by Alfred E. Olverson, Sr. and Pauline Olverson; and a security interest in the Academy's equipment, inventory, accounts, chattel paper and general intangibles.

On June 23, 2001, the Academy entered into a loan in the amount of \$532,795 for the purpose of paying off the previous loan. The loan had an interest rate of 9.0% and matures on June 23, 2002. The loan is collateralized by personal and commercial properties owned by Alfred E. Olverson, Sr. and Pauline Olverson; and a security interest in the Academy's equipment, inventory, accounts, chattel paper and general intangibles.

During fiscal year 2001, the Academy also entered into a line of credit with Park National Bank. The line of credit has a limit of \$100,000 at an interest rate of the prime rate plus 0.50 percent. As of June 30, 2001, no funds were borrowed against the limit. Principal and interest for amounts outstanding are immediately due and payable on demand. Monthly payments shall be equal to accrued and unpaid financial charges and are to be paid each month until the principal is paid. The line of credit is collateralized by personal and commercial properties owned by Alfred E. Olverson, Sr. and Pauline Olverson; and a security interest in the Academy's equipment, inventory, accounts, chattel paper and general intangibles. The line of credit is not evidenced by notes.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. SHORT-TERM OBLIGATIONS (Continued)**

Debt issued is statutorily limited to maturing at the end of the year the obligation was issued if the debt obligates by the State monies received by the School under Ohio Law. The \$532,795 loan above issued during the year did not specifically exclude State Foundation monies and extended past year end, contrary to State statutes.

**14. STATE SCHOOL FUNDING DECISION**

On September 6, 2001 the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to the school districts as a result of this change must be retroactive to July 1, 2001, although a time line for the distribution is not specified.
- Fully funding parity aid no later than the beginning of the fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of June 21, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of June 21, 2002, the Academy was unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**15. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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, 2001.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**15. CONTINGENCIES (Continued)**

**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 laws. The effect of this suit, if any, on the Academy is not presently determinable.

**C. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy received an adjustment increasing their state funding for fiscal year 2001 in the amount of \$29,680. This amount resulted in a receivable which is reflected on the financial statements and was paid to the Academy in the February 2002 Foundation payment.

**16. RELATED PARTY TRANSACTIONS**

The Academy paid \$180,000 in lease payments to Aledol, Inc., which is owned by Academy Board Member Alfred E. Olverson, Sr.

The Academy paid \$38,548 in custodial and maintenance services to Forty Acres, which is co-owned by Academy Board Members Alfred E. Olverson Sr and Alfred Olverson Jr.

The Academy paid \$4,446 for insurance coverage to A. E. Olverson Insurance Agency which is owned by Academy Board Member Alfred E. Olverson Sr.

The Academy paid Alfred Olverson, Jr, Board Member, \$3,300 on October 9, 2000 to coordinate the preparation of the leased school building site.

The Academy paid Pauline Olverson, Director, \$20,000 on May 15, 2000 for preparation of the Academy's Preliminary Agreement and Contract with the Ohio Department of Education.

The Academy obtained a \$560,000 loan in March 2001 which matured in June 2001, in which Aledol, Inc., Pauline Olverson, Academy Director, and Alfred Olverson, Jr., Board Member, were also named borrowers. The proceeds of this loan were used: to retire an Academy loan of \$261,744; to pay delinquent taxes on various properties owned by the Olversons (these properties serve as collateral for the loan); and to pay for leasehold improvements. Alfred Olverson, Sr. reimbursed the Academy for the payment of delinquent property taxes on the various buildings not related to the Academy, but did not reimburse the Academy for payment of delinquent taxes related to the leased school building as per the lease agreement.

The Academy obtained a \$532,795 one-year loan in June 2001, in which Aledol, Inc., Pauline Olverson and Alfred Olverson, Jr. were also named borrowers. The proceeds of this loan along with other funds were used to retire the \$560,000 March 2001 loan which matured June 23, 2001.

**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**17. PURCHASED SERVICES**

For the year ended June 30, 2001, purchased service expenses were comprised of the following:

Professional and Technical Services	\$81,629
Property Services - rent and improvements	252,895
Contracted Services	42,867
Books and Subscriptions	68,486
Utilities	30,950
Communications	15,975
Food Service	<u>65,569</u>
 Total Purchased Services	 <u>\$558,371</u>

**18. SUBSEQUENT EVENTS**

The Academy borrowed \$100,000 against their \$100,000 line of credit on October 26, 2001. This was repaid on November 21, 2001.

On October 19, 2001, the Academy received \$21,882 refund from STRS for an overpayment of contributions.

The Academy received a \$150,000 Community School Federal Sub-grant in December 2001.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

A. B. Miree Fundamental Academy  
Hamilton County  
1660 Sternblock Lane  
Cincinnati, Ohio 45237

To the Board of Trustees:

We have audited the financial statements of A. B. Miree Fundamental Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2001, and have issued our report thereon dated June 21, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10431-001 through 2001-10431-006. We also noted other matters involving noncompliance that do not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated June 21, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-10431-002, 2001-10431-003, and 2001-10431-006 through 2001-10431-10.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-10431-003 and 2001-10431-006 through 2001-10431-008 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management in a separate letter dated June 21, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

June 21, 2002



**A. B. MIREE FUNDAMENTAL ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-10431-001**

**Finding for Recovery**

The Academy reimbursed Alfred E. Olverson, Sr. for a payment made on March 6, 2001 to Crane Run Construction for payment on work that Crane Run Construction had performed at the Academy. Billing statements sent to the Academy from Crane Run Construction do not reflect the \$5,000 payment made by Alfred E. Olverson, Sr. On March 23, 2001 the Academy made payment in full on their contract with Crane Run Construction with proceeds from the \$560,000 loan they obtained from Park National Bank. Since Crane Run Construction did not credit the Academy for the \$5,000 payment made by Alfred E. Olverson, Sr., and the contract payments to Crane Run Construction were paid in full by the Academy, the Academy overpaid Crane Run Construction \$5,000.

Crane Run Construction acknowledged the receipt of the \$5,000 payment from Alfred E. Olverson, Sr. in an April 15, 2002 letter and indicated that this amount was credited toward the A.B. Miree Academy Project.; however, they provided no documentation that the payment was credited to the Academy's account.

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 Crane Run Construction, in the amount of \$5,000 in favor of A. B. Miree Fundamental Academy.

**FINDING NUMBER 2001-10431-002**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 3309.47, states that each school employees retirement system contributor shall contribute nine percent of the contributor's compensation to the employees' savings fund. Ohio Rev. Code, Section 3309.49, requires each employer to pay to the school employees retirement system an amount certified by the secretary that shall be a certain percent of the earnable compensation of all employees. The Academy was delinquent in paying SERS and STRS payments throughout the year. The payments due for the period September 2000 through February 2001 were not made until March 2001. Monthly payments were made from April 2001 through July 2001.

During the audit, the Academy received a letter from SERS dated March 14, 2002 indicating they were delinquent by \$11,311. The Auditor of State called SERS to verify how this amount was calculated and SERS realized they had credited the Academy's payments to another charter school, WEB Debois. After this error was discovered, the Academy received a letter dated March 27, 2002 indicating the error was caused by the Academy using an incorrect county-district number on their Cash Deposit Reports rather than of the number that was assigned to the Academy and upon correction of these errors the Academy's account was paid in full. However, from review of the PayChex bi-weekly payroll reports of the Academy and the SERS payroll information submitted to SERS, we found the gross wages information reported to SERS was not properly calculated. Upon further inspection of the SERS reports, we found one employee left off the SERS report. We recommend the Academy develop a policy to determine which employees should be paying into STRS or SERS and document this in their personnel files, as well as, review the PayChex payroll reports for proper withholdings. The Academy should review the amounts withheld and reconcile those individuals to the reports submitted to STRS and SERS.

**FINDING NUMBER 2001-10431-002**  
**(Continued)**

When timely payments are not made, the Academy could incur unnecessary penalty fees and employees may not receive appropriate retirement benefits. At June 30, 2001, the Academy owed \$1,609 to SERS and \$2,997 to STRS for the employee and employer share of fiscal year 2001 payroll. We recommend the Treasurer monitor withholdings and payment deadlines and verify payments to SERS are made by the due date.

In addition, the Academy's records showed they did not withhold STRS from two employees totaling \$2,156 and have not paid the employer share on these employees, this is included in the above delinquent amount. We recommend the Academy contact STRS and SERS to clear up this matter and to remit amounts due in a timely manner.

**FINDING NUMBER 2001-10431-003**

**Material Noncompliance/Material Weakness**

Article 3, Section B of the Charter, states that "The Governing Authority agrees to comply with the policies and procedures regarding internal financial controls of the A. B. Miree Fundamental Academy as set forth in the Financial Plan." The Academy did not maintain the following documentation as described in the financial plan of the Academy's Charter:

- Monthly bank account cash reconciliations;
- Fixed assets records;
- Purchase orders or check requests;
- Monthly financial statements; and
- Twelve month cash forecast, prepared on a quarterly basis.

We recommend that the Academy maintain all documents and perform all duties as listed in the Financial Plan per the Charter.

Section B, Financial Plan of the Charter, also states that "all disbursements will require multiple signatures". On October 19, 2000, the Board of Directors authorized in the minutes, Pauline Olverson, Superintendent/Director, to sign checks up to a \$5,000 limit with only her signature, contrary to requirements of the Financial Plan. Instances were noted in which checks were issued with one signature. We recommend the Academy follow its financial plan and require multiple signatures for all disbursements. Any changes to the plan should be approved by the Academy's sponsor.

Furthermore, monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. We noted areas for which monitoring controls performed by management should be established. There was no documented review and approval of:

- Monthly cash reconciliations, payroll reports, or detailed information in the receipt or expenditure ledgers.
- The Budget or the Financial Plan

**FINDING NUMBER 2001-10431-003**  
**(Continued)**

- Monthly financial reports, including comparison to the operating budget.
- List of bills paid or range of issued check numbers.

If no review or approval of the Budget or Financial Plan is performed, incorrect amounts may not be detected and could result in a negative fund balance. By having a system in place for review and approval, errors and discrepancies can be noted and corrected in a timely manner.

An effective monitoring control system should be implemented to assist management in detecting material misstatements in financial or other information. The Academy should develop and implement a monitoring control system to reduce the risk of not detecting material misstatements. This would include the Board review and approve monthly financial information, a bank reconciliation, fund balances, detailed listing of bills paid, and budget-to-actual data. Additionally the Board should review and approve the Budget and Financial Plan for each school year. These review and approvals should be denoted in the minutes of the Board.

**FINDING NUMBER 2001-10431-004**

**Material Noncompliance**

Auditor of State Bulletin 2000-05 indicated that lease agreements are not considered to be a loan to be paid back within one year, however, lease agreements that extend beyond the current fiscal year should include a fiscal funding or cancellation clause. Such a clause permits the community school to terminate the agreement on an annual basis if the funds are not appropriated to make the required payments. The Academy has an equipment lease purchase agreement with Fleet Capital Leasing for the purchase and lease of equipment, but it does not include the required fiscal funding/cancellation clause. This agreement, with a balance of \$14,408 at June 30, 2001, is scheduled to be repaid in monthly payments through 2004. In June of 2000 the Academy entered into a five-year lease agreement for the rent of the school building. This lease agreement also did not include a fiscal funding or cancellation clause. We recommend the Academy include a fiscal funding or cancellation clause in all future lease agreements.

**FINDING NUMBER 2001-10431-005**

**Material Noncompliance**

Ohio Rev. Code, Section 3314.08(J), provides that a community school may borrow money to pay any necessary and actual expenses of the school in anticipation of the receipt of any portion of the payments to be received by the school pursuant to division (D) of this section. The Academy may issue notes to evidence such borrowing to mature no later than the end of the fiscal year in which such money is borrowed. The Academy issued notes in June 2001 for \$532,795 but did not repay them by the end of the fiscal year.

Because these notes do not specifically exclude the School's Ohio Rev. Code, Section 3314.08(D), funds from the general collateral provisions, these notes obligate these monies. Therefore, Ohio Revised Code, Section 3314.08(J) would apply. We recommend the Academy take steps to monitor debt and determine there is no outstanding debt subject to Ohio Rev. Code, Section 3314.08(J), at fiscal year end.

**FINDING NUMBER 2001-10431-006**

**Material Noncompliance/Material Weakness**

Ohio Admin. Code, Section 117-2-03, requires that community schools file annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) basis within 150 days of year end, unless a waiver has been granted by the Auditor of State. The Academy did not file GAAP financial statements with the Auditor of State by the required deadline nor were they granted a waiver by the Auditor of State. Due to the lack of GAAP financial statements, the Auditor of State issued an unaudit letter to the Academy requiring them to prepare these statements within 90 days of receipt. The Auditor of State's office provided additional accounting services to assist in the preparation of these financial statements and footnotes.

The Academy should review their current procedures and available resources to assure that GAAP financial statements and footnotes can be prepared and filed with the Auditor of State within 150 days of year end.

**FINDING NUMBER 2001-10431-007**

**Material Weakness**

A. B. Miree Fundamental Academy has delegated payroll processing, which is a significant accounting function, to a third party administrator (PayChex). The Academy has not established procedures to reasonably determine the payroll service organization has sufficient controls in place and operating effectively to reduce the risk that payroll has been completely and accurately processed in accordance with the payroll processing contract. Furthermore, the Academy has not established internal control procedures to reasonably determine that payroll has been completely and accurately processed in accordance with the payroll contract.

We recommend that the Academy implement procedures to reasonably assure the completeness, and accuracy of payroll processed by their third-party administrator. Statement on Auditing Standards No. 70 (SAS 70) as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Academy with an appropriate level of assurance that the payroll is being processed in conformance with the contract. However, it may be possible for the Academy to obtain an appropriate level of assurance by other means.

We recommend the Academy specify in their contract with their third-party administrator that an annual Tier II SAS 70 audit report be performed. The Academy should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

Furthermore, we recommend the Academy reconcile the input (employees and hours worked) to the output (list of employees and corresponding checks from the service organization). Documentation of this procedure will ensure that the Academy is paying and properly posting the correct amount.

**FINDING NUMBER 2001-10431-008**

**Material Weakness**

The following control weaknesses were noted in the non-payroll disbursement process:

- There was no indication that expenditures were approved prior to purchases being made by the Treasurer or other authorized personnel nor were purchase orders used.
- Checks were signed by individuals that were not authorized signatories on the bank signatory card. Additionally, review of the bank signatory cards revealed there were individuals authorized as signatories per the bank that were not employees or board members of the Academy.
- Some voucher files did not always include detailed supporting documentation for expenditures and were not filed in a manner that facilitates the completeness of documentation being maintained.
- Invoices were sometimes held three to six months before making payment, resulting in fines being assessed against the Academy due to not making timely payments.
- Checks were not always issued through the Academy's automated financial system resulting in a number of manual checks which had duplicate check numbers.
- The Academy paid \$794 in sales tax during fiscal year 2001.

These control weaknesses could result in errors or misstatements in the financial records, the unauthorized purchase of goods or services, or the misappropriation of Academy assets. The processing of non-payroll disbursements should include:

- Prior authorization of a purchase, through the use of a purchase order which documents approval by the appropriate members of management and includes appropriate coding of expenditures.
- All appropriate supporting documentation (requisitions, original invoices, verification of receipt of purchases and agreement to invoices) should be compiled prior to authorization for payment and filed in an orderly manner to assist in ease of retrieving information when necessary.
- The Academy should match the invoice with the purchase order and a copy of the check stub. This matching procedure should be documented and the supporting documentation maintained.
- A comparison should be made of the check used to pay for a purchase and the supporting documentation to verify that the payee, amount, address, etc. on the check and invoice agree.
- The Academy needs to establish controls to monitor their policy over the issuance of checks. Only those approved individuals on the signatory card should sign checks or the Academy should review and update those individuals which are listed on their signatory cards. The Academy should also update the signatory cards at the bank on a regular basis especially when there is a change in personnel.
- Invoices should be paid in a timely manner to avoid late fees.
- The Academy should monitor the use of manual checks and checks issued for payment to assure that duplicate check numbers are not used.
- The Academy is exempt from paying sales tax. Therefore, the Academy needs to establish a policy to review invoices for sales tax before payments are made to vendors.

**FINDING NUMBER 2001-10431-008**  
**(Continued)**

- The Academy needs to establish a policy requiring detailed documentation of the hours and dates of services provided to be submitted in order to make payment for contractual services. The Academy should have written contracts which are approved by the Board for any services provided to the Academy. They should also require detailed receipts be provided prior to reimbursement being made.

**FINDING NUMBER 2001-10431-009**

**Reportable Condition**

The following control weaknesses were noted in the payroll disbursement process:

- Attendance sheets were not approved;
- Pay rates were not documented in the minutes as approved by the Board. The pay scale used by the Academy was not the one that was approved in the charter. The Academy paid employees per the individual contracts in the employees personnel files;
- New hires were not documented in the minutes as approved by the Board;
- Reports received from the Academy's third party payroll processor PayChex, were not approved by the Treasurer and/or Superintendent;

These control weaknesses could result in errors or misstatements in the financial records and the possible unauthorized overpayment to employees. The control environment for payroll processing may include, but are not limited to these procedures:

- Daily attendance sheets should be approved by Principal and/or Superintendent.
- Pay rates should be approved by the Board and noted in the minutes. We recommend that the Board review and approve the new pay scale.
- New hires should be approved by the Board and noted in the minutes.
- PayChex reports should be reviewed and approved by the Treasurer and/or Superintendent.
- The fiscal officer of the Academy should have responsibility for the payroll processing with the Board providing review and oversight of the payroll process.

**FINDING NUMBER 2001-10431-010**

**Reportable Condition**

The Academy does not maintain a detailed listing of individual fixed assets per the Academy's capitalization policy. The amount the Academy capitalized on their financial statements consisted of the total amount they had expended to the capital outlay line item. This resulted in a \$9,762 audit adjustment due to the inclusion of many items that were under the capitalization threshold and overstatements of their fixed asset value on the financial statements.

**FINDING NUMBER 2001-10431-010**  
**(Continued)**

The Academy should establish and maintain appropriate inventory system for their capitalized fixed assets. Such systems are needed to protect fixed assets from loss or misuse. Furthermore, not all fixed assets are required to be reported on the balance sheet. Specifically, fixed assets with extremely short useful lives or small monetary value are properly reported as expense in the period in which they are acquired.

We recommend the Academy review their current capitalization policy establishing estimated useful lives for their various classes of assets. The Academy should also utilize a fixed asset tracking and valuation system. This system should provide supporting documentation on each fixed asset. Such information should include, but not be limited to, date of purchase or acquisition, brief description of the asset; location of asset; identification number; purchase price; estimated useful life; disposition date, and amount received on disposition. The system should categorize assets by major type (e.g., land, buildings, equipment) and should summarize the amount invested in fixed assets by major type. The system should also record and summarize depreciation expense and accumulated depreciation for each fixed asset. The system should provide for perpetual updating of this information.

The lack of a fixed asset system and established procedures to monitor new asset additions and deletions will decrease the Academy's ability to safeguard its fixed assets. Establishing a fixed asset system and policies and procedures will improve control over Academy property by decreasing the risk of loss and misappropriation. Perpetual maintenance of such information will also assist the Academy in maintaining adequate insurance coverage, as well as provide support evidence in case of theft or fire losses.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**A. B. 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  
JULY 25, 2002**