



**TOLEDO VILLAGE SHULE  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



**TOLEDO VILLAGE SHULE  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

Toledo Village Shule  
Lucas County  
331 14th Street  
Toledo, Ohio 43624-1402

To the Governing Board:

We have audited the Balance Sheet of Toledo Village Shule, Lucas County, (Shule) as of June 30, 1999, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the fiscal period August 12, 1998 through June 30, 1999. These financial statements are the responsibility of Shule's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 Shule as of June 30, 1999, and the results of operations and its cash flows for the period then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2000 on our consideration of Shule's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

May 30, 2000

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**TOLEDO VILLAGE SHULE  
BALANCE SHEET  
AS OF JUNE 30, 1999**

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**Assets:**

Current Assets:

Cash and Cash Equivalents with Fiscal Agent	\$ 22,558
Intergovernmental Receivable	<u>142,079</u>
Total Current Assets	<u>164,637</u>

Non-Current Assets:

Fixed Assets (Net of Accumulated Depreciation)	<u>99,853</u>
Total Assets	<u><u>\$ 264,490</u></u>

**Liabilities and Fund Equity:**

Current Liabilities:

Accounts Payable	\$ 2,360
Contracts Payable	2,787
Intergovernmental Payable	<u>18,386</u>
Total Current Liabilities	<u>23,533</u>

Fund Equity:

Retained Earnings:	
Unreserved	<u>240,957</u>
Total Liabilities and Fund Equity	<u><u>\$ 264,490</u></u>

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

**TOLEDO VILLAGE SHULE  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL PERIOD AUGUST 12, 1998 THROUGH JUNE 30, 1999**

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**Operating Revenues:**

Foundation Payments	\$ 710,864
Disadvantaged Public Impact Aid	103,706
Other Operating Revenues	<u>21,765</u>
Total Operating Revenues	<u>836,335</u>

**Operating Expenses:**

Salaries	334,400
Fringe Benefits	105,227
Purchased Services (see note 13)	280,099
Materials and Supplies	46,950
Depreciation	17,687
Other Operating Expenses	<u>13,262</u>
Total Operating Expenses	<u>797,625</u>
Operating Income	<u>38,710</u>

**Non-Operating Revenues:**

Operating Grants	<u>202,247</u>
Total Non-Operating Revenues	<u>202,247</u>
Net Income	240,957
Retained Earnings at Beginning of Year	<u>          </u>
Retained Earnings at End of Year	<u>\$ 240,957</u>

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

**TOLEDO VILLAGE SHULE  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL PERIOD AUGUST 12, 1998 THROUGH JUNE 30, 1999**

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from State of Ohio	\$ 681,250
Cash Payments to Suppliers for Goods and Services	(335,164)
Cash Payments to Employees for Services	(421,241)
Other Operating Revenue	<u>21,765</u>
Net Cash Used by Operating Activities	<u>(53,390)</u>

**Cash Flows from Noncapital Financing Activities:**

Operating Grants Received	<u>193,488</u>
Net Cash Provided by Noncapital Financing Activities	<u>193,488</u>

**Cash Flows from Capital and Related Financing Activities:**

Payments for Capital Acquisitions	<u>(117,540)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(117,540)</u>
Net Increase in Cash and Cash Equivalents	22,558
Cash and Cash Equivalents at the Beginning of the Year	<u>                    </u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 22,558</u></u>

(Continued)

**TOLEDO VILLAGE SHULE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL PERIOD AUGUST 12, 1998 THROUGH JUNE 30, 1999**  
**(Continued)**

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**Reconciliation of Operating Income to  
Net Cash Used By Operating Activities**

Operating Income	<u>\$ 38,710</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Used By Operating Activities:</b>	
Depreciation	17,687
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(133,320)
Increase in Accounts Payable	2,360
Increase in Contracts Payable	2,787
Increase in Intergovernmental Payable	<u>18,386</u>
Total Adjustments	<u>(92,100)</u>
Net Cash Used by Operating Activities	<u><u>\$ (53,390)</u></u>

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

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

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

Toledo Village Shule (Shule) is a non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Shule is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect Shule's tax-exempt status. Shule's objective is to provide a year-round, holistic educational environment, serving grades K-6, in which cognitive and creative learning is blended with emotional and social growth, in order to foster students' learning from each other, their families, their communities, and their teachers, thereby integrating students' intellectual, social, and cultural worlds. Shule, 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. Shule may acquire facilities as needed and contract for any services necessary for the operation of the school.

Shule was approved for operation under contract a with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing August 12, 1998. The Sponsor is responsible for evaluating the performance of Shule and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Shule operates under the direction of a nine-member Governing Board. The Governing 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 Governing Board controls Shule's one instructional/support facility staffed by 4 non-certified and 6 certificated full-time teaching personnel who provide services to 157 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Shule 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. Shule also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of Shule's accounting policies are described below.

**A. Basis of Presentation**

**Enterprise Accounting**

Shule uses enterprise accounting 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.

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

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. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. 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 Shule's contract with its Sponsor. The contract between Shule and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

**D. Cash and Cash Equivalents**

All monies received by Shule are accounted for by Shule's Fiscal Officer. All cash received by the Fiscal Officer is maintained in a bank account in Shule's name. Monies for all funds of Shule are maintained in this account or temporarily used to purchase short-term investments. For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased by Shule are considered to be cash equivalents.

**E. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. Shule 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 capitalized.

Depreciation of vehicles and 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.

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**F. Intergovernmental Revenues**

Shule currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

Shule also participates in the Charter School Grant Program through the Ohio Department of Education. Under this program, Shule was awarded \$50,000 for the planning phase of the school and an additional \$50,000 charter school sub-grant. Additionally, the Sponsor, as part of the Lucas County pilot project, awarded Shule \$100,000 to partially defray school start-up costs. Revenues from these programs are recognized as non-operating revenue on the accompanying financial statements.

Commodities, grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**3. RECEIVABLES**

Receivables at June 30, 1999, consisted of intergovernmental (e.g., foundation) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

**4. DEPOSITS**

At June 30, 1999, Shule had a bank balance of \$63,694. The carrying amount of cash at June 30, 1999 was \$22,558.

Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**5. FIXED ASSETS**

A summary of Shule's fixed assets, at June 30, 1999, follows:

Leasehold Improvements	\$ 77,639
Furniture and Equipment	36,131
Vehicles	<u>3,770</u>
Subtotal:	117,540
Less: Accumulated Depreciation	<u>(17,687)</u>
Net Fixed Assets	<u><u>\$ 99,853</u></u>

There was no significant construction in progress at June 30, 1999.

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. RISK MANAGEMENT**

**A. Property and Liability**

Shule is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal period August 12, 1998 through June 30, 1999, Shule contracted with Harcum-Hyre Insurance Agency for property and general liability insurance.

Professional liability is protected by insurance coverage through the Harcum-Hyre Insurance Agency with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles are covered by Harcum-Hyre Insurance Agency. Automobile liability has a \$1,000,000 combined single limit of liability.

**B. Workers' Compensation**

Shule 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.

**C. Employee Medical, Dental, and Vision Benefits**

Shule has contracted with its Sponsor to provide employee medical, dental, and vision insurance to its full-time employees who work 40 or more hours per week.

**7. DEFINED BENEFIT PENSION PLANS**

**A. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose the Social Security System. As of June 30, 1999, Shule has no employees or members of the Governing Board who contribute to the Social Security System.

**B. School Employees Retirement System**

Shule 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.

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and Shule is required to contribute 14 percent; for the fiscal period August 12, 1998 through June 30, 1999, 7.7 percent was the portion to fund pension obligations. 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. Shule's required contribution for pension obligations to SERS for the fiscal period August 12, 1998 through June 30, 1999, was \$16,658 of which 82.8% has been contributed for the fiscal period August 12, 1998 through June 30, 1999, and \$2,863 representing the unpaid contribution which has been recorded as a liability.

**C. State Teachers Retirement System**

Shule 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 Shule is required to contribute 14 percent; 6 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. Shule's required contribution for pension obligations to STRS for the fiscal period August 12, 1998 through June 30, 1999 was \$32,054, of which 91% has been contributed for the fiscal period August 12, 1998 through June 30, 1999, and \$2,884 representing the unpaid contribution which has been recorded as a liability.

**8. POST-EMPLOYMENT BENEFITS**

Shule 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 Governing Board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For Shule, this amount equaled \$641 during the fiscal period August 12, 1998 through June 30, 1999.

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

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 period, employer contributions to fund health care benefits were 3.5 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 the fiscal period August 12, 1998 through June 30, 1999, the minimum pay has been established at \$12,400. For Shule, the amount to fund health care benefits, including surcharge, equaled \$583 during the fiscal period August 12, 1998 through June 30, 1999.

**9. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to Shule. During the fiscal period ended June 30, 1999, Shule received \$710,864 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court and on May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue upholding the decision of the Perry Court of Common Pleas. The Court further stayed the effect of its ruling until June 15, 2001 to allow the State's legislature to design a plan to remedy the perceived defects in the system, and as such, school district's are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, Shule is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**10. CONTINGENCIES**

**Grants**

Shule 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 School at June 30, 1999.

**Litigation**

The Shule is not a party to any litigation proceedings.

**TOLEDO VILLAGE SHULE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**11. RELATED PARTIES**

During for the fiscal period August 12, 1998 through June 30, 1999, Shule's Governing Board entered into a one-year employment contract with the Director. The Director is a member of the Governing Board, and the Director's spouse is also a member of the Governing Board. Total payments to the Director were \$76,154, which includes salary and reimbursements.

The Governing Board has given the Director the authority to enter into contractual service arrangements. During the fiscal period August 12, 1998 through June 30, 1999, the Director's daughter was paid \$1,827 for non-specific contractual services.

**12. OPERATING LEASE**

Shule has entered into a sub-lease for the period August 1, 1998 through June 30, 2003 with "Neighborhoods in Partnership" to lease 14,400 square feet of space to house the Shule. Payments made totaled \$115,361 for the fiscal year. The building which houses the Shule is owned by IBC Corporation.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 1999.

<u>Fiscal Year Ending June 30,</u>	
2000	\$ 122,400
2001	122,400
2002	125,700
2003	<u>126,000</u>
Total minimum payments	<u>\$ 496,500</u>

Shule has the option to renew the sub-lease at an inflation-adjusted rate for three additional five-year terms.

**13. PURCHASED SERVICE EXPENSES**

For fiscal period August 12, 1998 through June 30, 1999, purchased service expenses were payments for services rendered by various vendors, as follows:

<b>Purchased Services</b>	
Rent - Neighbors and Partnerships	\$ 115,361
Accounting Services	96,907
Food Services	36,498
Copier and Computer Services	7,815
Security Services	6,476
Consultation - Staff Training and Seminars	6,209
Phone/Fax Modem Installation	5,259
EMIS - Software Installation and Support Services	3,974
Legal Services	<u>1,600</u>
Total Purchased Services	<u>\$ 280,099</u>

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

Toledo Village Shule  
Lucas County  
331 14th Street  
Toledo, Ohio 43624-1402

To the Governing Board:

We have audited the financial statements of Toledo Village Shule, Lucas County, (Shule) for the fiscal period August 12, 1998 through June 30, 1999, and have issued our report thereon dated May 30, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Shule'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Shule in a separate letter dated May 30, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Shule'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Shule's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10148-001.

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, we believe the reportable condition described above is a material weaknesses. 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 of Shule in a separate letter dated May 30, 2000.

This report is intended for the information and use of management, the Governing Board, and the Sponsor, 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", written in a cursive style.

**Jim Petro**  
Auditor of State

May 30, 2000

**TOLEDO VILLAGE SHULE  
SCHEDULE OF FINDINGS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10148-001**

**Material Weakness - Fixed Assets**

The following control weaknesses over fixed assets exist:

1. Shule has not developed a fixed asset accounting system which maintains total fixed asset listings, by location, with tag identification numbers and other supplemental information.
2. Shule has not accurately developed and implemented procedures to assist in recording assets as additions when purchased, and deletions when disposed of throughout the fiscal year.
3. Shule has not implemented procedures to perform periodic (annual) inventory of assets.
4. The Governing Board has not developed a fixed asset policy wherein it sets forth the capitalization criteria for Shule.

Failure to obtain timely records or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To maintain adequate safeguards over fixed assets, and to reduce the risk that Shule's assets will be misstated, we recommend:

1. The Governing Board develop and implement procedures to be performed throughout the year, for the recording and updating of fixed assets. These procedures should include tagging all portable assets meeting Shule's capitalization criteria. Further, addition and disposal forms should be completed by the Shule and approved by management when assets are acquired or disposed. This information should then be entered on the fixed asset accounting system, recording such information as the tag number, a description of the item, the cost, the acquisition date, location and any other supporting documentation.
2. Shule develop and implement procedures for performing periodic (annual) physical inventories. The physical inventories can be performed by submitting a list of all fixed assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in each location should be compared to the listing provided, and any assets no longer used should be deleted and any assets not included on the listing should be added. Any significant deficiencies should be investigated and documented accordingly.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**TOLEDO VILLAGE SHULE**

**LUCAS 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  
JUNE 15, 2000**