



Dave Yost • Auditor of State



**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis .....	5
Statement of Net Assets .....	9
Statement of Revenues, Expenses and Changes in Net Assets .....	10
Statement of Cash Flows .....	11
Notes to the Basic Financial Statements .....	12
Schedule of Federal Awards Receipts and Expenditures.....	22
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance Required by OMB Circular A-133.....	27
Schedule of Findings and Questioned Costs.....	29
Schedule of Prior Audit Findings.....	41



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Ashe Culture Center  
Attn: Jorethia Chuck, Representative  
2125 Superior Avenue  
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor  
Attn: Stacey Callahan, Education Consultant  
25 South Front Street, Mail Stop 307  
Columbus, Ohio 43215

To Greater Heights Academy and Sponsors:

We were engaged to audit the accompanying basic financial statements of Greater Heights Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Academy's management.

The Academy did not retain or present for examination sufficient competent evidence to support the student full-time equivalencies reported to the Ohio Department of Education (ODE) which supports the Foundation Revenue received.

The Academy failed to provide evidence to support Salary, Wage and Fringe Benefit expenditures.

A capital lease and the related debt were not reported on the financial statements but were included in previous financial statements.

No records were available to review to determine whether meetings were held for two scheduled meeting dates.

The Academy did not maintain documentation to support the disclosures related to the items listed in paragraphs two through five above.

The amounts reported on the Statement of Cash Flows were unsupported.

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

AU Section 337 permits auditors to rely on the judgment of lawyers and management as to the disclosure of unasserted claims. Responses were not received for letters of audit inquiry sent to the Academy's legal counsel. Therefore, we were unable to obtain sufficient evidence regarding the completeness of unasserted claims.

Since the Academy did not provide sufficient evidential matter as described in paragraphs two through nine above, the scope of our procedures was not sufficient to enable us to express, and we do not express, an opinion of these financial statements referred to above for the year ended June 30, 2006.

During the year ended June 30, 2006, the Academy suffered a net loss in the amount of \$469,890 and accumulated a total net asset deficit of \$254,155.

The Academy voluntarily closed on November 17, 2008 due to financial viability.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

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

We were engaged to audit the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We were unable to obtain written representations from the Academy's management. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the federal awards expenditure schedule referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 31, 2014

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**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The management's discussion and analysis of the Greater Heights Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets were \$(254,155) at June 30 2006.
- The Academy had operating revenues of \$4,638,044 and operating expenses of \$5,900,371 for fiscal year 2006. The Academy also received \$791,586 in federal and state grants during fiscal year 2006. Total change in net assets for the fiscal year was a decrease of \$469,890.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The table below provides a comparison of the Academy's net assets for fiscal years 2006 and 2005.

<b>Net Assets</b>		
	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Current assets	\$ 177,139	\$ 291,337
Non-current assets:		
Security deposit	41,667	41,667
Capital assets, net	<u>228,763</u>	<u>89,272</u>
 Total assets	 <u>447,569</u>	 <u>422,276</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>701,724</u>	<u>206,541</u>
 Total liabilities	 <u>701,724</u>	 <u>206,541</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	228,763	89,272
Restricted	18,989	-
Unrestricted (deficit)	<u>(501,907)</u>	<u>126,463</u>
 Total net assets	 <u>\$ (254,155)</u>	 <u>\$ 215,735</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the Academy's net assets totaled \$(254,155), which includes \$18,989 which is restricted. Current liabilities increased at June 30, 2006 as a result of an increase in the liability for accrued wages payable and pension obligation payable. The District hired additional full-time certificated positions during fiscal year 2006.

At fiscal year-end, capital assets represented 51.11% of total assets. Capital assets consisted of copiers, computer equipment and furniture. Capital assets are used to provide services to the students and are not available for future spending.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The table below provides a comparative analysis of the changes in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	2006	2005
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 4,637,485	\$ 2,855,850
Other	559	18
Total operating revenue	<u>4,638,044</u>	<u>2,855,868</u>
<b><u>Operating Expenses:</u></b>		
Personal services	2,131,143	1,153,652
Purchased services	3,010,234	1,525,832
Materials and supplies	707,029	336,834
Depreciation	19,975	6,835
Other	31,990	8,311
Total operating expenses	<u>5,900,371</u>	<u>3,031,464</u>
<b><u>Non-operating revenues/expenses:</u></b>		
Federal and state grants	791,586	391,331
Interest revenue	851	-
Total non-operating revenues/expenses	<u>792,437</u>	<u>391,331</u>
Change in net assets	(469,890)	215,735
Net assets at beginning of year	<u>215,735</u>	<u>-</u>
Net assets (deficit) at end of year	<u>\$ (254,155)</u>	<u>\$ 215,735</u>

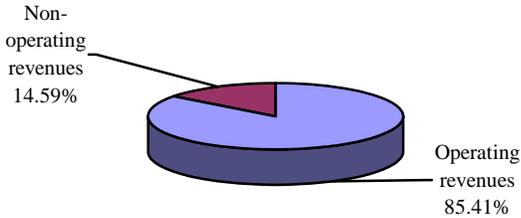
Revenues and expenses increased from 2005 as a result of the Academy operating for a full fiscal year and the addition of grades 9 and 10 during fiscal year 2006, which also required the addition of 52 certificated positions.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

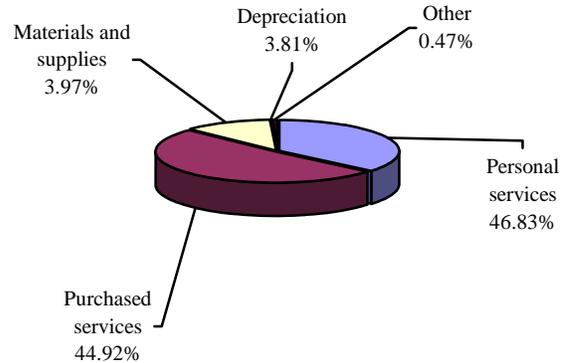
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The charts below illustrate the revenues and expenses for the Academy during fiscal 2006 and 2005.

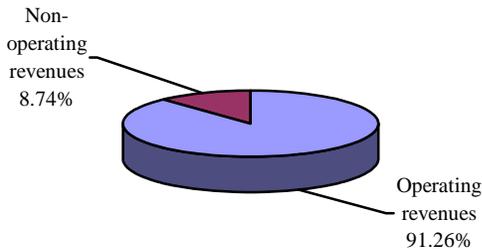
**2006 Revenues**



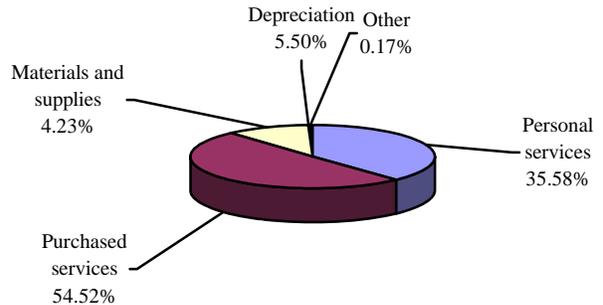
**2006 Expenses**



**2005 Revenues**



**2005 Expenses**



**Current Financial Related Activities**

Enrollment for the Academy has climbed to approximately 1,005 students for fiscal year 2007. This is a 34% increase from last year's count of 750.

Foundation is the primary source of funding received by the Academy. The Academy also received state and federal restricted grant and aid. Most aid came from the Ohio Department of Education in the form of Title I, Title V, Title IIA, Title IV and IDEA-B funds. These monies were used to finance educational opportunities to those students participating in the Academy's programs.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dr. Joel Friedman, Superintendent, 1970 Taylor Road, Cleveland Heights, Ohio or e-mail at [mms7622@sbcglobal.net](mailto:mms7622@sbcglobal.net).

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2006

**Assets:**

*Current Assets:*

Cash and cash equivalents	\$	86,721
Receivables:		
Accounts		22,288
Intergovernmental		68,130
Total current assets		177,139

*Non-Current Assets:*

Security deposit		41,667
Depreciable capital assets, net		228,763
Total non-current assets		270,430

Total assets		447,569
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**Liabilities:**

*Current Liabilities:*

Accounts payable		243,707
Accrued wages and benefits		348,160
Intergovernmental payable		109,857
Total liabilities		701,724

**Net Assets:**

Invested in capital assets		228,763
Restricted for:		
State funded programs		1,023
Federally funded programs		17,966
Unrestricted (deficit)		(501,907)
Total net assets	\$	(254,155)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Operating revenues:**

State foundation	\$ 4,637,485
Other revenue	559
Total revenue	<u>4,638,044</u>

**Operating expenses:**

Salaries and wages	1,749,317
Fringe benefits	381,826
Purchased services	3,010,234
Materials and supplies	707,029
Other	31,990
Depreciation	19,975
Total expenses	<u>5,900,371</u>

Operating loss	<u>(1,262,327)</u>
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**Non-operating revenues:**

Federal and state grants	791,586
Interest income	851
Total non-operating revenues	<u>792,437</u>

Change in net assets	(469,890)
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<b>Net assets at beginning of year</b>	<u>215,735</u>
<b>Net assets (deficit) at end of year</b>	<u><u>\$ (254,155)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<b>Cash flows from operating activities:</b>	
Cash received from foundation	\$ 4,637,485
Cash received from other operations	559
Cash payments for salaries and wages	(1,510,696)
Cash payments for fringe benefits	(313,712)
Cash payments for purchased services	(2,817,151)
Cash payments for materials and supplies	(694,079)
Cash payments for other expenses	<u>(28,689)</u>
Net cash used in operating activities	<u>(726,283)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal and state grants	<u>923,031</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(159,466)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>851</u>
Net increase in cash and cash equivalents	38,133
<b>Cash and cash equivalents at beginning of year</b>	<u>48,588</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 86,721</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (1,262,327)
Adjustments:	
Depreciation	19,975
Changes in assets and liabilities:	
Increase in accounts receivable	(22,288)
Decrease in prepayments	43,174
Increase in accounts payable	188,448
Increase in accrued wages and benefits	238,621
Increase in intergovernmental payable	<u>68,114</u>
Net cash used in operating activities	<u><u>\$ (726,283)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

Greater Heights Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a community school in Cleveland, Ohio, serving children in grades K-10. The Academy goal is to employ educators that thrive on seeing children succeed. The success of the child will increase self-esteem and provide opportunities for a rewarding future. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the "Sponsor") for a period of five years commencing April 23, 2004. Lucas County Educational Service Center served as the Academy's Sponsor for the period July 1, 2005 through September 30, 2005. Effective October 1, 2005 ASHE Culture Center, Inc. became the Academy's Sponsor and the Treasurer of the Mahoning County Educational Service Center became the Academy's fiscal agent. 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 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 the Academy's one instructional/support facility staffed by 12 non-certificated and 75 certificated teaching personnel who provide services to 750 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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) 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.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

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

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net 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 Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

**D. Cash and Cash Equivalents**

All monies received by the Academy are accounted for by the Academy's fiscal agent. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not maintain a capitalization policy and does not possess any infrastructure. 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.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

<u>Description</u>	<u>Estimated Lives</u>
Computers	5 years
Furniture and equipment	5 years
Leasehold improvements	15 years

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**G. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, Disadvantaged Pupil Impact Aid, 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. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

**H. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At June 30, 2006, the carrying amount of all Academy deposits was \$86,721. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$100,000 of the Academy's bank balance of \$113,638 was covered by Federal Deposit Insurance Corporation, while \$13,638 was exposed to custodial risk as discussed below.

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

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2006</u>
<b>Governmental Activities:</b>				
<i>Capital assets, being depreciated:</i>				
Computers	\$ 10,008	\$ 9,600	\$ -	\$ 19,608
Furniture and equipment	33,707	26,761	-	60,468
Leasehold improvements	52,392	123,105	-	175,497
Total capital assets, being depreciated	<u>96,107</u>	<u>159,466</u>	<u>-</u>	<u>255,573</u>
<i>Less: accumulated depreciation:</i>				
Computers	(47)	(2,962)	-	(3,009)
Furniture and equipment	(4,497)	(9,417)	-	(13,914)
Leasehold improvements	(2,291)	(7,596)	-	(9,887)
Total accumulated depreciation	<u>(6,835)</u>	<u>(19,975)</u>	<u>-</u>	<u>(26,810)</u>
Governmental activities capital assets, net	<u>\$ 89,272</u>	<u>\$ 139,491</u>	<u>\$ -</u>	<u>\$ 228,763</u>

**NOTE 5 - OPERATING LEASE**

A. The Academy has an operating lease with Raintree Academy to lease a school facility. The lease commenced July 1, 2004 and will continue for a period of ten years. The Academy then has an option to renew the term of the lease for an addition term of ten years. Payments totaled \$500,000 for fiscal year 2006.

The following is a schedule of the future minimum payments for the next five years required under the operating lease as of June 30, 2006:

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 5 - OPERATING LEASE - (Continued)**

Fiscal Year Ending June 30,	Amount
2007	\$ 500,000
2008	500,000
2009	500,000
2010	500,000
Total	\$2,000,000

- B.** The Academy entered into an operating lease with David N. Myers University to lease a school facility. The lease was commenced November 17, 2005 and expires July 31, 2006. The Academy will pay the lessor rent of \$11,668 monthly during the term of the lease.

**NOTE 6 - RISK MANAGEMENT**

**A. Insurance Coverage**

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 contracted personnel; and natural disasters. For fiscal year 2006, the Academy contracted with Philadelphia Insurance Companies for insurance.

Coverage is as follows:

Commercial Property Coverage	\$	300,000
Business Auto		1,000,000
Commercial General Liability - Aggregate		2,000,000
Personal and Advertising Injury		2,000,000
Employee Benefits Liability		1,000,000

**B. Workers' Compensation**

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

**NOTE 7 - PURCHASED SERVICES**

For fiscal year ended June 30, 2006, purchased service expenses were as follows:

Professional and technical services	\$	1,166,420
Property services		45,711
Travel expenses		15,192
Communications		34,203
Total		\$ 1,261,526

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - FISCAL AGENT**

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center to serve as the Treasurer of the Academy through September 30, 2005. The Academy entered into a service agreement with the Treasurer of the Mahoning County Educational Service Center to serve as the Treasurer of the Academy effective October 1, 2005. As part of this agreement, the Academy shall compensate the Sponsor 2% of the per pupil allotment paid to the Academy from the State of Ohio.

The Treasurer shall perform all of the following functions while serving as the Treasurer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall reimburse money only upon receipt of a voucher signed by the Treasurer of the Academy of that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Treasurer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

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

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006 and 2005 were \$68,011 and \$45,058, respectively; 51.91% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$32,706 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006 and 2005 were \$93,299 and \$62,606, respectively; 83.42% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$15,470 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2% of wages paid.

**NOTE 10 - POSTEMPLOYMENT 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 funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$7,177 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the Academy paid \$21,984 to fund health care benefits, including the surcharge.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 11 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2006.

**B. Full-Time Equivalency**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - SUBSEQUENT EVENTS**

After fiscal year 2006, fourteen judgments/settlements were made against the Academy totaling \$2,581,367.

The following list provides the parties involved and the resulting amount of each judgment, as well as the date each case was closed:

Party Involved	Amount of Settlement/Judgment	Date Closed
Community Bus Services, Inc.	\$831,127	9/29/2008
Mangan & Associates, LLC	112,175	11/5/2008
Arvon Funding, LLC	76,362	12/2/2008
Carron Asphalt Paving, Inc	17,883	12/24/2008
First Student Inc.	650,087	3/26/2009
Thyssenkrupp Elevator Corp.	23,649	4/15/2009
Ace Taxi Service, Inc.	31,225	6/29/2009
J&F Luxury Travel Inc.	27,900	7/24/2009
J. Bowers Construction Co.	4,387	7/29/2009
Comdoc, Inc.	3,611	8/3/2009
The Illuminating Company	78,085	4/30/10
City of Cleveland Heights	16,542	9/14/2010
TRCH LLC	708,334	12/10/2010
Total Amount:	\$2,581,367	

In addition to the above, the Academy also settled a case with A. Lopresti & Sons, Inc outside of court for an undisclosed sum.

Furthermore, the Academy ceased operation on November 17, 2008.

**NOTE 13 – FEDERAL INVESTIGATION**

On November 21, 2013, a federal grand jury returned indictments against four people charged with a scheme to defraud the Academy of more than \$400,000. Indictments on charges of wire fraud, mail fraud and conspiracy to launder money were handed down against Joel B Friedman, chairman of the Academy, Marianne Stefanik, secretary to chairman Friedman, Virgil B Holley, employed in various capacities at the Academy, including starting Holley Enterprises to provide security at the school, and Jeffrey A. Pope, operator of the consulting business, R&D International in Maryland.

The defendants pleaded guilty and are scheduled to be sentenced in March 2014. The case was investigated by the Federal Bureau of Investigation and Internal Revenue Service.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>		Federal CFDA		
Program Title	Grant Year	Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program - 2005	2005	10.553	\$11,302	\$11,302
School Breakfast Program - 2006	2006	10.553	72,254	72,254
Total School Breakfast Program			<u>83,556</u>	<u>83,556</u>
School Lunch Program - 2005	2005	10.555	19,858	19,858
School Lunch Program - 2006	2006	10.555	136,311	136,311
Total School Lunch Program			<u>156,169</u>	<u>156,169</u>
Total Nutrition Cluster			<u>239,725</u>	<u>239,725</u>
Team Nutrition Training Grant - 2004	2004	10.574	490	490
Total U.S. Department of Agriculture			<u>240,215</u>	<u>240,215</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education, Part B - IDEA - 2005	2005	84.027	22,334	22,334
Special Education, Part B - IDEA - 2006	2006	84.027	129,762	129,762
Total Special Education: Grants to States			<u>152,096</u>	<u>152,096</u>
Early Childhood Special Education, IDEA - 2006	2006	84.173	917	0
Total Special Education Cluster			<u>153,013</u>	<u>152,096</u>
Grants to Local Educational Agencies, Title I - 2005	2005	84.010	15,176	15,176
Grants to Local Educational Agencies, Title I - 2006	2006	84.010	488,280	391,090
Total Grants to Local Educational Agencies, Title I			<u>503,456</u>	<u>406,266</u>
Improving Teacher Quality, Title II-A - 2005	2005	84.367	(1,170)	0
Improving Teacher Quality, Title II-A - 2006	2006	84.367	8,460	3,177
Total Improving Teacher Quality, Title II-A			<u>7,290</u>	<u>3,177</u>
Technology, Title II-D - 2005	2005	84.318	(513)	0
Technology, Title II-D - 2006	2006	84.318	1,588	0
Total Technology, Title II-D			<u>1,075</u>	<u>0</u>
Safe and Drug-Free Schools, Title IV-A - 2006	2006	84.186	919	0
State Grants for Innovative Programs, Title V - 2005	2005	84.298	(50)	0
State Grants for Innovative Programs, Title V - 2006	2006	84.298	1,610	1,461
Total State Grants for Innovative Programs, Title V			<u>1,560</u>	<u>1,461</u>
Total U.S. Department of Education			<u>667,313</u>	<u>563,000</u>
<b>Total Federal Financial Assistance</b>			<b><u>\$907,528</u></b>	<b><u>\$803,215</u></b>

The accompanying notes to this schedule are an integral part of this schedule.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Greater Heights Academy's (the Academy's) federal award programs' receipts and expenditures. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

**NOTE C - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2005 to 2006 programs:

Program Title	CFDA Number	Amount Transferred from 2005 to 2006
Improving Teacher Quality, Title II-A	84.367	\$1,170
Education Technology State Grants	84.318	513
State Grants for Innovative Programs, Title V	84.298	50

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# Dave Yost • Auditor of State

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

Ashe Culture Center  
Attn: Jorethia Chuck, Representative  
2125 Superior Avenue  
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor  
Attn: Stacey Callahan, Education Consultant  
25 South Front Street, Mail Stop 307  
Columbus, Ohio 43215

To Greater Heights Academy and Sponsors:

We were engaged to audit the basic financial statements of Greater Heights Academy, Cuyahoga County (the Academy) as of and for the year ended June 30, 2006, and have issued our report thereon dated January 31, 2014, in which we disclaimed an opinion upon the financial statements because the Academy failed to provide supporting documentation to support the student fulltime equivalencies reported to the Ohio Department of Education (ODE) which supports the Foundation Revenue received. They also failed to provide support for Salary, Wage and Fringe Benefit expenditures, provide support for the Statement of Cash Flows, did not report a capital lease and the related debt, and did not provide support for the related disclosures in the accompanying basic financial statements. Management has not provided the Auditor of State written representations and responses were not received for letters of audit inquiry sent to the Academy's legal counsel. We also noted the Academy closed on November 17, 2008.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2006-002, 2006-005 and 2006-009 through 2006-011 described in the accompanying schedule of findings to be material weaknesses.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2006-001 through 2006-009.

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 31, 2014



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ashe Culture Center  
Attn: Jorethia Chuck, Representative  
2125 Superior Avenue  
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor  
Attn: Stacey Callahan, Education Consultant  
25 South Front Street, Mail Stop 307  
Columbus, Ohio 43215

To Greater Heights Academy and Sponsors:

### Compliance

We were engaged to audit the compliance of Greater Heights Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance.

Except as discussed in the following paragraph, we conducted our engagement in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' Government Auditing Standards; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require that we plan and perform an audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. Our engagement does not provide a legal determination on the Academy's compliance with these requirements.

We were unable to obtain written representations from the Academy's management supporting the Academy's compliance with the requirements described in paragraph one.

Because of the matter described in the preceding paragraph, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the Academy's compliance with the compliance requirements.

However, the results of our procedures also disclosed other instances of noncompliance with those requirements that OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2006-12 through 2006-015.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses,

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2006-012 through 2006-016 to be material weaknesses.

We intend this report solely for the information and use of the management, Board of Directors, the Community School's sponsor, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2014

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Disclaimer
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Disclaimer
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grant – CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2006-001**

**Finding for Recovery – Noncompliance – No Public Purpose Payment**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a proper “public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-001 (Continued)**

**Finding for Recovery – Noncompliance – No Public Purpose Payment (Continued)**

We noted the following expenditures issued to a vendor did not meet criteria of proper public purpose:

- Payment was issued to Singerman, Mills, Desburg, & Kauntz Co, LPA for charges totaling \$225 related to the Secretary of State filings fees for incorporation of vendor Columbia Prospect LLC, which was the management company for the Academy, and
- Payments were issued to Singerman, Mills, Desburg, & Kauntz Co, LPA for charges totaling \$526 related to professional services and Secretary of State filing fees for Oxford Columbia, LLC and to GS Columbia, LLC which have no known relationship to the Academy.

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

Accordingly, Cynthia Lengyel, Treasurer, and The Cincinnati Insurance Company, her bonding company, are jointly and severally liable in the amounts of \$751 for the services of Singerman, Mills, Desburg, & Kauntz Co., LPA and in favor of the Ohio Department of Education.

**Officials Response**

The finding for recovery on an invoice received from Singerman, Mills, Desberg & Kauntz, Co., L.P.A (the firm) in this audit should be turned over to the firm who incorrectly invoiced Greater Heights Academy. This was a misrepresentation between the school administrator and the attorney from the firm.

**FINDING NUMBER 2006-002**

**Noncompliance and Material Weakness – Undocumented Enrollment for State Foundation Funding**

Ohio Rev. Code, Section 3314.03(A)(11)(a) states that the contract between a sponsor and the governing authority must specify that the Academy will provide learning opportunities to a minimum of twenty five students for a minimum of nine hundred twenty hours per Academy year.

Enrollment numbers are submitted through the Education Management Information System (EMIS) to the Ohio Department of Education (ODE) and are used to determine the amount of State Foundation money each Academy receives. Ohio’s State Funding Formula is a foundation program with an assumed local share of charge-off being subtracted from the basic program costs to determine the state formula aid. The basic program cost is the current year formula amount times the current year formula average daily membership plus the sum of four base funding supplements, called “building blocks.” These building blocks are funding for intervention, professional development, data based decision making and professional development for data based decision making. The per pupil formula amount is set by the legislature.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-002 (Continued)**

**Noncompliance and Material Weakness – Undocumented Enrollment for State Foundation Funding (Continued)**

For the audit period of July 1, 2005 through June 30, 2006 there were no:

- Student files to show how many students attended the Academy and the duration of attendance;
- Records documenting how many hours the Academy was in session or what type of instruction was offered;
- Attendance sheets;
- Documentation over enrollment/withdrawal dates of its students; and
- Official student rosters.

The assurance of 920 hours of instruction to each student could not be determined and support was not provided for the student attendance figures reported to Ohio Department of Education (ODE).

As a result, we were not able to opine over Foundation Revenue received.

**FINDING NUMBER 2006-003**

**Noncompliance – Filing of Annual Financial Report**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

Amount of collections and receipts, and accounts due from each source and amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03(B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section requires that all community schools file annual financial reports which are prepared using generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management's Discussion and Analysis;
- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP standards;
- Cash flow statement as prescribed by GAAP standards; and
- Notes to the financial statements as prescribed by GAAP standards.

The Academy did not file the June 30, 2006 financial report, which was required to be filed no later than November 30, 2006, until October 28, 2007.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-003 (Continued)**

**Noncompliance – Filing of Annual Financial Report (Continued)**

In addition, Ohio Rev. Code Section 117.38 provides, in part, that "at the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer."

No evidence was provided, by the Academy, that this required notice was published. This may prevent the public from being aware of the transparency available in the Academy. By not filing their financial reports and annual notice, the Academy is not fulfilling their duties of accountability and transparency to the public.

**FINDING NUMBER 2006-004**

**Noncompliance - Liability Insurance**

Ohio Rev. Code Section 3314.03(11)(b) states that each contract entered into between the sponsor and the governing authority of a community school must specify that the governing authority will purchase liability insurance, or otherwise provide for the potential liability of the community school.

There was no evidence of liability insurance for the audit period of July 1, 2005 through June 30, 2006. Although there were payments made to insurance companies, no documentation was provided to demonstrate that the payments were for liability insurance, and no policy was provided to demonstrate that such coverage existed.

**FINDING NUMBER 2006-005**

**Noncompliance and Material Weakness – Record of Minutes/Holding Public Meetings**

Ohio Rev. Code Section 121.22(C) provides that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

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

It is the responsibility of the governing board to oversee the Academy's operation and make decisions to ensure the entity's goals and objectives are complete. The Board minutes represent the official record of the Academy's events and resolutions passed by the Board.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-005 (Continued)**

**Noncompliance and Material Weakness - Record of Minutes/Holding Public Meetings (Continued)**

The Board should stay informed of financial matters throughout the fiscal year. During the audit, we noted the following items:

- Not all employee salaries and approval to hire employees were noted in the Board minutes. Therefore, there was no evidence that these salaries were being approved by the Board. As a result we were not able to opine over Salaries, Wage and Fringe Benefit expenditures;
- We were unable to determine whether meetings were held for 2 of the scheduled meeting dates as no records were available for review. As a result we were not able to opine over the completeness and availability of all minutes of the legislative or other bodies and committee meetings;
- Two of the meetings minute records were incomplete; and
- Prior meeting minutes were not approved for 2 meetings.

**FINDING NUMBER 2006-006**

**Noncompliance - Establishment of Records Retention Policy, Public Records Policies and Posters**

Ohio Rev. Code Section 149.43 (B)(2) requires that entities shall have available a copy of its current records retention schedule at a location readily available to the public.

In addition, all public offices are required to create a poster describing its public records policy. The public office is required to display the poster in a conspicuous place in the public office and in all locations where the public office has branch offices, per Ohio Revised Code Section 149.43 (E)(2).

The Academy did not provide a copy of its records retention policy.

**FINDING NUMBER 2006-007**

**Noncompliance - Annual Report of Activities**

Ohio Rev. Code Section 3314.03(A) (11) (g) provides that the community school's governing authority is required to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Rev. Code Section 3314.03(A)(3) and (4) (academic goals to be achieved and method of measurement to determine progress and performance standards to evaluate a community school's success) and its financial status to the sponsor, the parents of all students enrolled in the community school, and the legislative office of education oversight. The report must be submitted within four months after the end of each school year. The community school must collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct.

The Academy did not provide any evidence the required annual reports of its activities and progress in meeting the goals and standards were submitted as required by the above Ohio Rev. Code Section, as well as, its financial status to the sponsor, the parents of all students enrolled in the Academy, and the legislative office of education oversight for the audit period.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-008**

**Noncompliance - Education Information Management System (EMIS)**

Ohio Rev. Code Section 3314.17 requires community schools to follow the requirements of Ohio Rev. Code Section 3301.0714. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each Academy district must periodically collect and report the required information to the ODE, as required by the EMIS manual. This required information consists of the following:

Section A prescribes:

- Standards identifying and defining the type of data in the system;
- Procedures for annually collecting and reporting the data;
- Procedures for annually compiling the data; and
- Procedures for annually reporting the data to the general public;

Section B prescribes:

- Guidelines outlining what information should be maintained in the system;

Section C prescribes:

- That education management information shall include cost accounting data for each district as a whole and by building;

Section D prescribes:

- Guidelines which require information about individual students, staff members, or both; and

Section E further prescribes

- Guidelines which describe any and all special reports which may be required.

The Academy failed to meet the reporting and record keeping requirements as outlined above. Therefore, we were unable to determine if the Academy properly filed EMIS reports.

**FINDING NUMBER 2006-009**

**Noncompliance and Material Weakness – Condition of Accounting Records**

Ohio Administrative Code Section 117-2-02(D) states in part, all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. All local public offices should maintain or provide a report similar to the following accounting records:

1. Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.
2. Each local public office should establish a capitalization threshold so that, at a minimum, eighty per cent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-009 (Continued)**

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

These capital assets apply to GAAP and non-GAAP mandated public offices. All public offices should have a record of significant capital assets.

During the testing of Capital Assets, we noted the following:

- There was no evidence of an inventory listing which included the following: the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number;
- There was no evidence a physical inventory of equipment is periodically taken and compared to property records; and
- There was no evidence of a Capital Asset System in place.

As a result, the Academy's capital lease and the related debt were not reported on the financial statements and therefore we could not issue an opinion on the financial statements.

**FINDING NUMBER 2006-010**

**Material Weakness - Internal Control System**

Management and Board are charged with the responsibility of developing and maintaining a system of internal controls over purchasing, revenue, reporting, and payroll transactions. The system of internal controls of the Academy would detect errors and irregularities in a timely manner. The system of internal controls would ensure all financial transactions were properly authorized, reported and supported with documentation. The review of the Academy's internal controls systems and transactions documentation noted material internal control weakness.

During our review of the records we noted the following for fiscal year 2006:

- Superintendent was authorized by the Board to enter into any contract of \$500,000 or less without Board approval;
- No authorization by the Board for a material amount of employee salary and/or wage's;
- There was a lack of supporting documentation for amounts and data reported to ODE;
- The Balance Sheet, the Income Statement and Cash Flow Statement were missing the Capital Lease of the Building reported in fiscal year 2005, but not reported in fiscal year 2006; and
- The Academy did not maintain documentation to support the disclosures made in the notes to the financial statements.

The above weaknesses and lack of record keeping resulted in the inability to render an opinion on the financial statements and notes presented.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-011**

**Material Weakness – Lack of Management Representation**

AICPA Codification of Auditing Standards (AU) section 333 states that the auditor should obtain written representations from current management on all periods covered in the audit report. An auditor should obtain representations from those members of management with overall responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations.

AU section 333 further states that management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause an auditor to disclaim an opinion or withdraw from the engagement.

As part of a Circular A-133 compliance audit, the auditor should obtain written representations from management about matters related to federal awards. Therefore, in addition to the management representations obtained in connection with an audit of the financial statements, the auditor should obtain written representations from management concerning the identification and completeness of federal award programs, representations concerning compliance with compliance requirements, and identification of known instances of noncompliance.

Additionally, management's refusal to furnish all written representations that the auditor considers necessary in the circumstances constitutes a limitation on the scope of the audit sufficient to require a qualified opinion or disclaimer of opinion on the auditee's compliance with major program requirements.

Management was not willing to provide written representation. The Academy suddenly ceased operation on November 17, 2008.

Therefore based on management's refusal to provide written representations in connection with the audit of the financial statements or matters related to federal award we disclaimed an opinion on the financial statements and disclaimed an opinion on the auditee's compliance with major federal program requirements. See Federal Finding 2006-016 in Section 3 below. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**Noncompliance and Material Weakness – Equipment and Real Property Management**

<b>Finding Number</b>	2006-012
<b>CFDA Title and Number</b>	Title I, 84.010
<b>Federal Award Number / Year</b>	00418-C1S1/2005 and 2006
<b>Federal Agency</b>	U.S. Dept. of Education
<b>Pass-Through Agency</b>	Ohio Dept. of Education

The requirements for equipment are contained in 34 CFR 80.32, Federal awarding agency program regulations, and the terms and conditions of the award.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-012 (Continued)**

**Noncompliance and Material Weakness – Equipment and Real Property Management (Continued)**

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

34 CFR 80.32 requires equipment to be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. Also, a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years and a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

Based on the testing of equipment purchased during fiscal year 2006 with Title I funds totaling \$55,350 (14% of Title I program expenditures), we noted the following exceptions:

- There was no evidence of an inventory listing denoting all acquisitions and dispositions of equipment purchased and the source of the funding for the purchase of the equipment or the percentage of the federal funds;
- There was no evidence of accurate records maintained on all acquisitions and dispositions of property acquired with Federal awards;
- There was no evidence of property tags being placed on equipment;
- There was no evidence of a physical inventory of equipment periodically taken and compared to property records; and
- There was no evidence of a Capital Asset System in place.

**Noncompliance and Material Weakness – Procurement and Suspension and Debarment**

<b>Finding Number</b>	2006-013
<b>CFDA Title and Number</b>	Title I, 84.010
<b>Federal Award Number / Year</b>	00418-C1S1/2005 and 2006
<b>Federal Agency</b>	U.S. Dept. of Education
<b>Pass-Through Agency</b>	Ohio Dept. of Education

34 CFR 80.35 requires grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**FINDING NUMBER 2006-013 (Continued)**

**Noncompliance and Material Weakness – Procurement and Suspension and Debarment (Continued)**

34 CFR 80.36 requires grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

The Academy had one applicable contract. The expenditures for this contract totaled \$68,387 (17% of Title I program expenditures). There was no evidence the Academy performed a search of suspended or debarred contractors, collected a certification from the contractor or added a clause or condition to the contract. We searched the *Excluded Parties List System (EPLS)* and noted the contractor selected was not suspended or debarred from federal contracts or awards.

**Noncompliance and Material Weakness – Eligibility**

<b>Finding Number</b>	2006-014
<b>CFDA Title and Number</b>	Title I, 84.010
<b>Federal Award Number / Year</b>	00418-C1S1/2005 and 2006
<b>Federal Agency</b>	U.S. Dept. of Education
<b>Pass-Through Agency</b>	Ohio Dept. of Education

34 CFR section 200.78(a)(1) states an LEA must determine which Academy attendance areas are eligible to participate in Part A. 34 CFR section 200.78(b)(2) states an Academy attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole or at least 35 percent. 34 CFR section 200.78(c) states an LEA may also designate and serve an Academy in an ineligible attendance area if the percentage of children from low-income families enrolled in that Academy is equal to or greater than the percentage of such children in a participating Academy attendance area.

20 USC 6313(a)(5) states when determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5-17 in poverty counted in the most recent census; (2) the number of children eligible for free and reduced price lunches; (3) the number of children in families receiving TANF; (4) the number of children eligible to receive Medicaid assistance; or (5) a composite of these data sources. The LEA must use that measure consistently across the Academy to rank all its Academy attendance areas according to their percentage of poverty.

There was no evidence of student records or National School Lunch Applications found in the records provided by the Sponsor or the Academy or its Treasurers. There was no evidence supporting the percentages for poverty used in the application of Title I.

**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**Questioned Cost/Noncompliance/Material Weakness – Unsupported Adjustments**

<b>Finding Number</b>	2006-015
<b>CFDA Title and Number</b>	Title I, 84.010
<b>Federal Award Number / Year</b>	00418-C1S1/2005 and 2006
<b>Federal Agency</b>	U.S. Dept. of Education
<b>Pass-Through Agency</b>	Ohio Dept. of Education

2 CFR Part 225 Appendix A Section C(1)(J) provides that to be allowable under Federal awards, costs must be adequately documented.

The Academy charged \$74,345 (18% of Title I program expenditures) in “adjustments” to the Title I program. The Academy identified these as payroll related however there was no documentation provided to support these adjustments. Therefore we were unable to determine whether these adjustments were allowable under this federal award.

Based on the non-compliance identified above, we are questioning the \$74,345 grant expenditures charged to this federal award.

We recommend the Academy implement procedures to ensure that all Federal expenditures are adequately supported as required by 2 CFR Part 225.

**Material Weakness – Lack of Management Representation**

<b>Finding Number</b>	2006-016
<b>CFDA Title and Number</b>	Title I, 84.010
<b>Federal Award Number / Year</b>	00418-C1S1/2005 and 2006
<b>Federal Agency</b>	U.S. Dept. of Education
<b>Pass-Through Agency</b>	Ohio Dept. of Education

AICPA Codification of Auditing Standards (AU) section 333 and OMB Circular A-133 states that the auditor should obtain written representations from current management. Management was not willing to provide written representations. See Finding 2006-011 in Section 2 above for a detailed description. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

**Officials Response**

Except for the response included in Finding Number 2006-001; there were no official responses provided by the Academy.

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**GREATER HEIGHTS ACADEMY  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
2005-001	Building Lease Agreement/ Conflict of Interest	No	No longer valid
2005-002	Sponsor Contract Lease Agreement	Yes	Corrected
2005-003	Sponsor Contract Student Transportation	Yes	Corrected
2005-004	Developing and Implementing an Effective Monitoring Control System	No	Reissued as 2006-010



# Dave Yost • Auditor of State

**GREATER HEIGHTS ACADEMY**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 25, 2014**