



Dave Yost • Auditor of State



PACE HIGH SCHOOL  
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report .....	1
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013 .....	3
Basic Financial Statements:	
Statement of Net Position As of June 30, 2013 .....	9
Statement of Revenues, Expenses, and Changes in Fund Balance For the Fiscal Year Ended June 30, 2013 .....	10
Statement of Cash Flows For Fiscal Year Ended June 30, 2013 .....	11
Notes to the Basic Financial Statements .....	13
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings.....	25
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	27

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

PACE High School  
Hamilton County  
1601 California Avenue  
Cincinnati, Ohio 45237

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying basic financial statements of PACE High School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Qualified Opinion***

The School did not provide sufficient evidence supporting the completeness and accuracy of the *Statement of Cash Flows* as of and for the year ended June 30, 2013.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of PACE High School, Hamilton County, Ohio, as of June 30, 2013 and 2012, and the respective changes in financial position for the years then ended and the Statement of Cash Flows for the year ended June 30, 2012 in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 12 to the financial statements, the School has suffered recurring losses from operations and has a net position deficiency of \$888,552 that raises substantial doubt about its ability to continue as a going concern. Note 12 describe management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Also School has stated that they will cease operations with the end of the 2014 school year June 30, 2014. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 28, 2014

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**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The discussion and analysis of P.A.C.E. High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal ended June 30, 2013. The intent of this discussion and analysis is to look at the financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

- Total assets decreased \$31,052 from June 30, 2012 to June 30, 2013.
- Net Position at June 30, 2013 was (\$888,552).
- Total Assets were \$48,612 at June 30, 2013. Cash comprised \$12,555 of this amount.
- Liabilities were \$937,164 at June 30, 2013. This balance mainly represents loans from the School Superintendent.
- Liabilities increased by \$56,524, which was due to the timing of bills received at year end and an increase in long term loans.

**Using this Financial Report**

This report consists of three parts, the MD&A, the basic financial statement, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Balance, answers the question, "How did we do financially during 2013?"

MD&A does not adequately analyze financial position and results of operations.

**Statement of Net Position**

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

Table 1 provides a summary of the School's net position for fiscal years 2013, 2012, and 2011.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Table 1  
Net Position**

<b>Assets</b>	—		
	2013	2012	2011
Current Assets			
Cash	\$ 12,555	\$16,442	\$0.00
Intergovernmental Receivable	0	9,057	88,961
Prepaid Items	<u>33,570</u>	<u>50,505</u>	<u>50,602</u>
Total Current Assets	<u>46,125</u>	<u>76,004</u>	<u>139,564</u>
Noncurrent Assets			
Depreciable Capital Assets, Net	2,487	3,660	4,833
 Total Assets	 \$48,612	 \$79,664	 \$ 144,397
	=====	=====	=====
<b>Liabilities</b>			
Current Liabilities	351,305	\$411,133	374,734
Long Term Liabilities	<u>585,859</u>	<u>469,507</u>	<u>455,229</u>
Total Liabilities	937,164	\$880,640	838,864
 <b>Net Position</b>			
Net Investment in Capital Assets	2,487	3,660	4,833
Unrestricted	<u>(891,039)</u>	<u>(804,636)</u>	<u>(699,300)</u>
<b>Total Net Position</b>	<b>(888,552)</b>	<b>(800,976)</b>	<b>(694,467)</b>
	=====	=====	=====

Cash decreased \$3,887 as a result of decreased revenues. Net prepaid items decreased \$16,935 as a result of SERS reimbursements. Intergovernmental Receivable decreased by \$9,057 due to collection of prior year receivable and no current year receivables on federal grants.

Capital assets decreased \$1,173 as the result of depreciation. Total assets decreased primarily as a result of the decrease in revenues.

Total liabilities increased approximately \$56,524 due to the new loan from the Superintendent for \$120,707 and the reduction of the intergovernmental payable of \$66,485 from prior year foundation overpayments.

Table 2 provides a summary of the School's change in net position for 2013, 2012, and 2011 as well as a listing of revenues and expenses.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Operating Revenues	<u>2013</u>	<u>2012</u>	<u>2011</u>
Foundation Payments	\$702,691	\$ 838,250	\$799,462
State Special Education	74,377	96,906	124,500
 Non-Operating Revenues			
Federal and State Grants	133,660	214,132	602,563
Miscellaneous Income	<u>76,467</u>	<u>1,789</u>	<u>5,572</u>
 Total Revenue	-	<u>\$1,151,077</u>	<u>\$1,532,097</u>
 Operating Expenses			
Salaries	436,982	538,243	940,264
Fringe Benefits	139,163	191,064	248,120
Purchased Services	385,889	380,338	698,518
Materials and Supplies	5,956	12,395	23,887
Other Expenses	73,944	89,257	113,197
Capital Outlay	-	508	1,734
Depreciation	<u>1,173</u>	<u>1,173</u>	<u>1,033</u>
 Total Operating Expenses	1,043,107	1,212,979	<u>2,026,753</u>
 Non-Operating Expenses			
Debt Issuance Cost	31,664	-	-
 Total Expenses	1,074,771	1,212,979	2,026,753-
Prior Period Adjustment	-	(44,605)	-
Change in Net Position	<u>(87,576)</u>	<u>(61,902)</u>	<u>(494,656)</u>
Beginning Net Position	(800,976)	(694,467)	(198,810)
Ending Net Position	(\$888,552)	(\$800,976)	(\$694,467)
	=====	=====	=====

Revenues decreased from 2012 to 2013 by \$163,882 primarily due to a decrease in federal and state grants of \$80,472 and a decrease in Foundation of \$135,559. The decrease in Federal and state grants was primarily due to the cessation of certain major federal grant programs. The decrease in Foundation payments was due to a decline in enrollment.

Total expenses decreased by \$138,208 as the result of cost-cutting measures in most categories. The largest cuts were as follows: salaries decreased \$101,261 and fringe benefits decreased \$51,901. This was a result of salary cuts and not replacing staff when they leave.

**Capital Assets**

At the end of the fiscal year 2013, the School had a total of \$2,487 in capital assets, net of accumulated depreciation. Table 3 is a summary of changes in the School's capital assets from fiscal year 2012 to fiscal year 2013.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Table 3  
Capital Assets**

	<u>June 30, 2012</u>	<u>Additions</u>	<u>June 30, 2013</u>
Capital Assets	\$ 118,391	\$ 0	\$ 118,391
Less Accumulated Depreciation	<u>114,731</u>	<u>1,173</u>	<u>115,904</u>
Capital Assets, Net	<u>\$ 3,660</u>	<u>\$ 1,173</u>	<u>\$ 2,487</u>

**Long-Term Debt**

At June 30, 2013, the School had \$ 585,859 in long-term debt outstanding.

**Table 4  
Long Term Debt**

Description	7/1/12 Balance	Additions	Deletions	5/1/13 Refinance	5/1/13 Balance	6/30/13 Balance	Interest Rate
Steve Hawley Chase Credit Card	\$8,194	\$2,500	\$1,239			\$9,455	19.24%
Steve Hawley Chase Bank Loan #1	200,653	0	2,253	198,400			4.88%
Steve Hawley Chase Bank Loan #2	224,404	5,499	0	229,903			8.55%
Steve Hawley Advantage Bank Loan	28,228	0	835	27,393			6.95%
Steve Hawley Refinance #1	0	0	0	0	257,297	257,297	4.00%
Steve Hawley Refinance #2	0	0	0	0	198,400	198,400	4.00%
Steve Hawley 2013 Promissory Note	0	120,707	0			120,707	4.00%
	<hr/>						
Total Steve Hawley Loans	453,285	126,206	3,088	455,697	455,697	576,404	
Total Steve Hawley Loans and Credit Card	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
	\$461,479	\$128,706	\$4,327	\$455,697	\$455,697	\$585,859	

**Current Financial Issues**

P.A.C.E. High School was formed in 2005. During the 2012-2013 school year, there was an average of 116 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2013 amounted to \$6,671 per student. The average number of years' experience for teachers was 4 years.

**Contacting the School's Financial Management**

This financial report is designed to provide our constituents with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Treasurer, at 1601 California Avenue, Cincinnati, OH 45237.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

<b>Assets</b>		
<u>Current Assets</u>	<u>2013</u>	<u>2012</u>
Cash	\$12,555	\$16,442
Intergovernmental Receivable	0	9,057
Prepaid Items	<u>33,570</u>	<u>50,505</u>
Total Current Assets	46,125	76,004
<u>Noncurrent Assets</u>		
Depreciable Capital Assets, Net	<u>2,487</u>	<u>3,660</u>
Total Noncurrent Assets	<u>2,487</u>	<u>3,660</u>
Total Assets	48,612	\$79,664
<b>Liabilities</b>		
<u>Current Liabilities</u>	-	
Accounts Payable	203,260	187,482
Accrued Wages	40,238	49,359
Intergovernmental Payable	<u>107,807</u>	<u>174,292</u>
Total Current Liabilities	351,305	411,133
<u>Non-Current Liabilities</u>		-
Line of Credit	9,455	8,027
Long Term Liabilities	<u>576,404</u>	<u>461,480</u>
Total Long-Term Liabilities	<u>585,859</u>	<u>469,507</u>
Total Liabilities	937,164	880,640
<b>Net Position</b>		
Net Investment in capital assets	2,487	3,660
Unrestricted	<u>(891,039)</u>	<u>(804,636)</u>
<b>Total Net Position</b>	<u>(\$888,552)</u>	<u>(\$800,976)</u>

See the Accompanying Notes to the Basic Financial Statements.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Foundation Payments	\$702,691	\$838,250
State Special Education	<u>74,377</u>	<u>96,906</u>
Total Operating Revenues	<u>777,068</u>	<u>935,156</u>
 <b>Operating Expenses</b>		
Salaries	436,982	538,243
Fringe Benefits	139,163	191,064
Purchased Services	385,889	380,538
Materials and Supplies	5,956	12,395
Other Expenses	73,944	89,260
Capital Outlay	0	508
Depreciation	<u>1,173</u>	<u>1,173</u>
Total Operating Expenses	<u>1,043,107</u>	<u>1,212,979</u>
Operating Loss	<u>(266,039)</u>	<u>(277,825)</u>
 <b>Non-Operating Revenues/(Expenses)</b>		
Federal and State Grants	133,660	214,132
Miscellaneous Income	76,467	1,789
Debt Issuance Cost	<u>(31,664)</u>	<u>0</u>
Total Non-Operating Revenues	178,463	215,921
Change in Net Position	<u>(87,463)</u>	<u>(61,902)</u>
Prior Period Adjustment	<u>0</u>	<u>(44,605)</u>
<b>Beginning Net Position</b>	<u>(800,976)</u>	(694,467)
<b>Ending Net Position</b>	<u>\$(888,552)</u>	<u>\$(800,976)</u>

See the Accompanying Notes to the Basic Financial Statements.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>		
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from State of Ohio	\$784,937	\$949,144
Cash Payments to Employees	(584,292)	(742,753)
Cash Payments for Supplies	(5,527)	(12,251)
Cash Payments for Other Activities	<u>(441,926)</u>	<u>(472,389)</u>
<i>Net Cash Used for Operating Activities</i>	(246,808)	(278,249)
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Operating Grants Received	134,896	359,954
Other	<u>76,467</u>	<u>24,789</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	211,314	384,743
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Outflows for Capital Acquisition		
Deposit	13,403	11,358
Bank Funded Credit	1,428	(4,709)
Adjustment for Intergovernmental Payable	(66,484)	(87,146)
Long-Term Loan Proceeds	89,073	0
Principal Paid on Capital Debt	<u>(5,813)</u>	<u>(9,555)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	31,607	(90,052)
<i>Net Change in Cash and Cash Equivalents</i>	(3,887)	16,442
Cash and Cash Equivalents at Beginning of Year	<u>16,442</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>12,555</u>	<u>16,442</u>
<b><u>Reconciliation of Operating Income to Net Cash Used for Operating Activities</u></b>		
Operating Loss	(266,042)	(277,823)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>		
Depreciation Expense	1,173	1,173
Changes in Assets and Liabilities		
Decrease / ( Increase) in Prepaid Items	(16,935)	97
Decrease/(Increase) in Intergovernmental Receivable	9,057	
(Decrease) / Increase in Accounts Payable	17,310	97,683
(Decrease) / Increase in Accrued Wages and Benefits	(8,147)	(12,233)
(Decrease) / Increase in Intergovernmental Payable	<u>(66,484)</u>	<u>(87,146)</u>
Total Adjustments	(19,234)	(426)
<i>Net Cash Used by Operating Activities</i>	( <u>\$246,808</u> )	( <u>\$278,249</u> )

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**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

P.A.C.E. High School, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students by utilizing an approved evaluation involving the community. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contracts for any services necessary for the operation of the School.

The School was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) until June 30, 2015. The sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expirations or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees of which the majority must be community residents. The Board of Trustees is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board of Trustees controls the School's on instructional/support facility staffed by 5 non-certified employees and 8 certificated full time teaching personnel who provide services to 116 students.

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

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards board (FASB) statements and interpretations issued November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

**Basis of Presentation**

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The School uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurement made.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

**Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School 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. The School follows a budget that is adopted and revised as needed.

**Prepaid Items**

Payments made to vendors or employees for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**Capital Assets**

All capital assets are capitalized at cost and updated for additions and retirements during the year. Depreciation is computed using the straight-line method over the estimated useful life of the capital asset. The School's capital assets consist solely of computers and related equipment which is being depreciated over three years.

**Compensated Absences**

The criteria for determining vacation, personal and sick leave components are derived from policies and procedures approved by the Board of Trustees. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to noncertified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

Teachers, administrators, and non-certified employees are allowed 15 sick days and 3 personal days per year, any unused sick or personal leave is not accumulated.

**Insurance Benefits**

The School provides life, medical/surgical and dental benefits to most employees through Humana.

**Net Position**

Net Position represents the difference between assets and liabilities. Net capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and student activities and federal and State grants restricted to expenditures for specified purposes.

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

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**Operating Revenues and Expenses**

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

**Estimates**

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

**NOTE 3 – DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School must maintain deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the School places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legal constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At June 30, 2012, the School's deposits were \$16,442 and the bank balance was \$6,474. The bank balance is covered by federal depository insurance.

At June 30, 2013, the School's deposits were \$12,555, and the bank balances \$4,178. Of the bank balance up to \$250,000 is covered by federal depository insurance and the excess, if any, is insured by collateralized securities held by the pledging institutions' trust department in the School's name.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013:

<b><u>Business-Type Activity</u></b>	<b><u>Balance June 30, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance June 30, 2013</u></b>
Capital Assets Being Depreciated	\$ 118,391	\$ 0		\$ 118,391
Less Accumulated Depreciation	<u>\$ 114,731</u>	<u>\$ 1,173</u>		<u>\$ 115,904</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,660</u>	<u>(\$ 1,173)</u>		<u>\$ 2,487</u>

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended June 30, 2012:

<u><b>Business-Type Activity</b></u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Capital Assets Being Depreciated	\$ 118,391	\$		\$ 118,391
Less Accumulated Depreciation	<u>\$ 113,558</u>	<u>\$ 1,173</u>		<u>\$ 114,731</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,833</u>	<u>(\$ 1,173)</u>		<u>\$ 3,660</u>

**NOTE 5 – RISK MANAGEMENT**

**Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2013, the School contracted with Philadelphia Insurance Company for general liability, property, and for educational errors and omissions insurance. The policy's general aggregate personal and advertising injury and each occurrence limit is \$1,000,000 with a \$5,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

**Workers' Compensation**

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

**NOTE 6 – DEFINED BENEFIT PENSION PLANS**

**School Employee Retirement System**

**Plan Description** – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

ended June 30, 2013, 2012 and 2011 were \$ 17,739, \$26,879, and \$57,422 respectively; 100 percent has been for fiscal years 2013, 2012 and 2011.

**State Teachers Retirement System**

**Plan Description** – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum with withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the members account balance.

**Funding Policy** – For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$39,403, \$41,714 and \$68,207 respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate was 4.2 percent of wages for July 1 2012-December 31, 2012, and 6.2% for January 2013 through June 30, 2013.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 7 – POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

**Plan Description** – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care fund was established and is administered in accordance with Internal Revenue Code Section 401H. For 2013, 4.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013 there was no surcharge due or payable.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,651, \$8,562, and \$18,293 respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.76 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal year ended June 30, 2013, was \$963; 100 percent has been contributed for fiscal year 2013.

**State Teachers Retirement System**

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, 2011 were \$2,814, \$4,733, and \$6,500, respectively. 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - CONTINGENCIES**

**Grants**

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant's agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2013.

**State Funding**

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

**NOTE 9 – OPERATING LEASE**

The School leases a building from an unrelated entity. This lease started in July, 2007 and the lease was renewed for one year and expires June, 2013. The base rent lease payments were \$15,500 a month, and were negotiated downward to \$14,500 per month in July 2012. Lease expense for the fiscal year ended June 30, 2013 was \$174,000. The lease is on a month-to-month basis at \$10,000 per month for 2013-2014 as it undergoes renewal.

The school also leases copier equipment from an unrelated entity at \$590.03 per month. The lease started in December 2009, was re-negotiated in November 2011 for \$997.77 per month, and was renegotiated in April 2012 to expire in 2015. Lease expense for the year ended June 2013 was \$7,080.36.

The minimum future lease payments under the above non-cancellable lease is as follows:

Years Ending		
<u>June 30,</u>	<u>Equipment</u>	<u>Total</u>
2014	\$ 7,080	\$ 7,080
2015	<u>\$ 5,900</u>	<u>\$ 5,900</u>
Total	<u>\$ 12,980</u>	<u>\$ 12,980</u>

**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 10 – NOTES PAYABLE – RELATED PARTY**

	<u>June 30 2012</u>	<u>Issuance of Debt</u>	<u>Payments</u>	<u>June 30 2013</u>
Notes Payable - Related Party	\$ 461,479	\$ 128,707	(\$4,327)	\$ 585,859
	<u>June 30 2011</u>	<u>Issuance of Debt</u>	<u>Payments</u>	<u>June 30 2012</u>
Notes Payable - Related Party	\$ 455,229	\$ 9,796	\$(3,546)	\$461,479

The School had four unsecured, interest bearing notes payable to the Superintendent. In May 2013 the superintendent refinanced the loans, condensing the four into two. As of June 30, 2013, there were no set payment terms. Payments are made based on available cash flows of the school. A summary of note activity follows:

Description	6/30/2012 Balance	Additions	Deletions	5/1/13 Refinance	5/1/13 Balance	6/30/13 Balance	Interest Rate
Steven Hawley Credit Card	\$8,194	\$2,500	\$1,239			\$9,455	19.24%
Steven Hawley Chase Loan #1	200,653	0	2,253	198,400		0	4.88%
Steven Hawley Chase Loan #2	224,404	5,499	0	229,903		0	8.55%
Steven Hawley Advantage Loan	28,228	0	835	27,393		0	6.95%
Steven Hawley Refinance #1	0	0	0		257,297	257,297	4.00%
Steven Hawley Refinance #2	0	0	0		198,400	198,400	4.00%
Steven Hawley 2013 Note	0	120,707	0			120,707	4.00%
<b>Total Steve Hawley Loans &amp; Credit Card</b>	<b>\$461,479</b>	<b>\$128,706</b>	<b>\$4,327</b>	<b>\$455,697</b>	<b>\$455,697</b>	<b>\$585,859</b>	

Description	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012	Interest Rate
Credit Card Line	\$0	\$8,194		\$ 8,194	19.24%
Promissory Note -Chase Bank	226,745		2,341	224,404	8.55%
Promissory Note - Advantage Bank	29,433		1,205	28,228	6.95%
Promissory Note - Chase Bank Loan	199,051	1,602		200,653	4.88%
	<b>\$455,229</b>	<b>\$9,796</b>	<b>\$3,546</b>	<b>\$461,479</b>	



**P.A.C.E. HIGH SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 – PURCHASED SERVICES**

For the year ended June 30, 2013, purchased service expenses were comprised of the following:

Instructional Services	\$ 48,331
Travel and Auto	527
Professional Development	1,500
Psychological Testing-Spec Ed	2,500
Printing and Reproduction	9,057
Postage and Delivery	630
Transportation	1,400
Catering	17,862
Accounting, Professional,& Other	21,400
Property Services	<u>282,682</u>
TOTAL PURCHASED SERVICES	<u><u>\$385,889</u></u>

**NOTE 12 – GOING CONCERN / SUBSEQUENT EVENT**

For the year ended June 30, 2013, the school had an operating loss of (\$266,039) and an unrestricted net position deficit of (\$888,552). Most of the net position deficit is due to a liability incurred to repay prior year foundation funds. Management has enacted a budget reduction, reduced costs, and implemented a marketing program to improve cash flow. The School will cease all operations and close at the end of the June 30, 2014 school year.

**NOTE 13- COMMUNITY SCHOOL CONTINGENCY FOOTNOTE DISCLOSURE**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date. PACE High School 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 of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**NOTE 14- PRIOR PERIOD ADJUSTMENT**

The school recorded a prior period adjustment for the fiscal year ended June 30, 2012 in the amount of \$44,605. The expense is an amount due to the state of Ohio for repayment of student funds for a prior year.

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# Dave Yost • Auditor of State

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

PACE High School  
Hamilton County  
1601 California Avenue  
Cincinnati, Ohio 45237

To the Board of Directors:

We were engaged to audit the financial statements of PACE High School (the School) as of and for the year ended June 30, 2013, 2012 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 28, 2014, wherein we noted the School did not provide sufficient evidence supporting the completeness and accuracy of the Statement of Cash Flows for the year ended June 30, 2013, there is a going concern and the School will close after the 2014 fiscal year.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 28, 2014

PACE HIGH SCHOOL  
HAMILTON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2013

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

FINDING NUMBER 2013-001

**Noncompliance/ Material Weakness**

**Record Accuracy**

**Ohio Admin. Code Section 117-2-02(A)** requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Furthermore, per the Sponsor Agreement **Article IX Finance Section 9.1 Financial Records**, the School's financial records shall be maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of the State. We noted the following conditions, and make the following recommendations for improvement, related to the financial statements and financial records:

- The School did not classify revenue and expenses by fund. We recommend that the School classify financial transactions by fund.
- The School incurred debt issuance costs of \$31,634 which were not posted to their accounting records and related financial statements. We recommend that the school account for all financial transaction.
- The School had three loans outstanding at July 1, 2012. In May 2013, the School refinanced these three loans into two new loans; however the school did not execute promissory notes for the new loans (with Dr. Hawley) and did not cancel the three debt agreements outstanding at July 1, 2012. One of the three loans outstanding at July 1, 2012 was with Chase Bank and had a principal balance of \$224,404 with no payments made during the 2013 fiscal year; at the time of the refinancing the School recorded principal outstanding of \$229,903. The school could not explain the \$5,499 increase in principal. We recommend that the School improve the accuracy of accounting for debt transactions.
- The School's current method of recording debt payments does not include a separate accounting for the principal and interest. The School should amortize the principal and interest for each loan and account for payments accordingly.
- The current outstanding School debt consists of loans from Dr. Hawley. Dr. Hawley incurred personal debt from financial institutions and loaned the proceeds of those funds to the School. To make payments on the loan from Dr. Hawley, the School made payments directly to the financial institution to retire Dr. Hawley's personal debt. Also, there is no formal loan agreement between the School and Dr. Hawley. We recommend that the School and Dr. Hawley execute a formal loan agreement that includes the interest rate and terms of repayment. The School should pay Dr. Hawley directly in accordance with the loan agreement.
- The School was unable to provide support for amounts presented in the Statement of Cash flows. We recommend that the School maintain support for amounts presented in their financial statements.

Failure to accurately prepare financial statements and maintain accounting records in the required manner reduces the accountability over School funds, reduces the Board of Directors' ability to monitor financial activity and make informed financial decisions, increases the risk that errors, theft and fraud will occur and not be detected in a timely manner.

**FINDING NUMBER 2013-001  
(Continued)**

**Officials' Response:**

School officials did not respond to this finding.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

PACE High School  
Hamilton County  
1601 California Avenue  
Cincinnati, Ohio 45237

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 10, 2011 to include prohibiting harassment, intimidation, or bullying of any student by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 28, 2014

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# Dave Yost • Auditor of State

**PACE HIGH SCHOOL**

**HAMILTON COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 12, 2014**