



OHIO AUDITOR OF STATE
KEITH FABER



PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) For the Year Ended November 16, 2019.....	5
Notes to the Financial Statements For the Year Ended November 16, 2019.....	6
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) For the Year Ended June 30, 2019.....	11
Notes to the Financial Statements For the Year Ended June 30, 2019.....	12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

Paul D. White School of Excellence
Cuyahoga County

Educational Resource Consultants of Ohio, Inc.
School Sponsor
Butler County
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

To the Board of Trustees and Sponsor:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Paul D. White School of Excellence, Cuyahoga County, Ohio (the School)), as of and for the period July 1, 2019 through November 16, 2019 and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's 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 conducted our engagement 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The School could not substantiate the following amounts reported in the financial statements:

	For the Period July 1, 2019 through November 16, 2019	For the Fiscal Year Ending June 30, 2019
Fringe Benefits	\$41,546	\$163,665
Purchased Services	54,705	\$287,738
Materials & Supplies	2,093	\$16,540
Capital Outlay	3,300	\$17,528
Miscellaneous Operating Disbursements	529	\$39,634
July 1, 2018 Restated Beginning Cash Fund Balance		\$12,255
Ending Cash Fund Balance	\$3,418	\$1,114

Further, the School could not substantiate the following reported Purchased Services disbursement allocations within the Notes to the Financial Statements:

	For the Period July 1, 2019 through November 16, 2019	For the Fiscal Year Ending June 30, 2019
Professional and Technical Services	\$28,844	\$105,763
Property Services	\$11,877	\$95,593
Communications	\$472	\$8,061
Contractual Trade Services	\$9,879	\$43,050
Transportation	\$3,633	\$26,953
Travel and Meetings		(\$392)
Utilities		\$8,710

Additionally, the School did not present a note disclosure for its building leases, which had total payments of \$22,410 for the period July 1, 2019 through November 16, 2019, and \$102,439 for fiscal year 2019.

Further, as described in Note 2 of the financial statements, the School prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Additionally, management has not provided certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's financial reporting framework, 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 of the School's compliance with laws and regulations; the identification and disclosure of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all Federal assistance programs, and compliance with Federal grant requirements.

Disclaimer of Opinion

Due to the significance of the matters discussed in *the Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the period July 1, 2019 through November 16, 2019 or for the year ended June 30, 2019.

Emphasis of Matter

As discussed in Note 8 to the financial statements for the period July 1, 2019 through November 16, 2019, the School closed on November 16, 2019. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2024, 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 engagement performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2024

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**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
FOR THE PERIOD JULY 1, 2019 TO NOVEMBER 16, 2019**

<hr/> <hr/>	
Operating Receipts	
State Foundation	\$179,593
Casino	975
Miscellaneous	6,385
<i>Total Operating Receipts</i>	<u>186,953</u>
Operating Disbursements	
Salaries	106,149
Fringe Benefits	41,546
Purchased Services	54,705
Materials & Supplies	2,093
Capital Outlay	3,300
Miscellaneous	529
<i>Total Operating Disbursements</i>	<u>208,322</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,369)</u>
Non-Operating Receipts	
Federal and State Grants	23,673
<i>Total Non-Operating Receipts</i>	<u>23,673</u>
<i>Net Change in Fund Cash Balances</i>	2,304
<i>Fund Cash Balance, July 1</i>	<u>1,114</u>
<i>Fund Cash Balance, November 16</i>	<u><u>\$3,418</u></u>

See accompanying notes to the basic financial statements

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2019 TO NOVEMBER 16, 2019**

Note 1 – Description of the Entity

The Paul D. White School of Excellence is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific, and related teaching services. 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 contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2016 and ending June 30, 2018. The Sponsor automatically renewed for two one-year terms through June 30, 2020. The Sponsor was responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operated under a five member self-appointed Board of Trustees. The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

Note 2 – Summary of Significant Accounting Policies

As discussed further in this note, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The School's significant accounting policies are described below.

Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the School has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2019 TO NOVEMBER 16, 2019**

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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The School's financial statements consist of a Statement of Receipts, Disbursements and Changes in Fund Balance – Regulatory Cash Basis.

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 (with the exception of ORC 5705.391 - Five Year Forecasts), unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor required a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Deposits

All monies received by the School are maintained in a demand deposit account. Total cash for all funds is presented as "cash" on the accompanying statement of net position.

Intergovernmental Receipts

The School participated in the State Foundation and Casino Program Programs. Receipts received from the State Foundation and Casino Programs are recognized as operating receipts in the accounting period in which the entitlement is received. Amounts received under the above programs totaled \$180,568.

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the entitlement is received. Amounts received under the above program totaled \$23,673.

Note 3 – Deposits

At November 16, 2019, the carrying amount of the School's deposits totaled \$3,418. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of November 16, 2019, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2019 TO NOVEMBER 16, 2019**

Note 4 – Risk Management

Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For the period July 1, 2019 to November 16, 2019, the School contracted with Peerless and Netherlands Insurance Companies for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during the period July 1, 2019 to November 16, 2019. The premium is calculated by multiplying the gross total payroll by a factor that is calculated by the State.

Note 5 – Purchased Services

As of November 16, 2019, purchased service disbursements were payments for services rendered by various vendors as follows:

410	Professional and Technical Services	\$28,844
420	Property Services	11,877
440	Communications	472
460	Contractual Trade Services	9,879
480	Transportation	<u>3,633</u>
	Total	<u>\$54,705</u>

Note 6 – Sponsorship Agreement

The School was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2013 and ending June 30, 2015. For fiscal year 2016, the Sponsor renewed its contract with the School effective through June 30, 2018. The Sponsor automatically renewed for two one-year term through June 30, 2020. Sponsorship fees were paid in the amount of \$5,193 during the period July 1, 2019 to November 16, 2019 and are reflected as "Purchased Services" in the Statement of Receipts, Disbursements and Changes in Fund Balance.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2019 TO NOVEMBER 16, 2019**

Note 7 – 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 agreements and is subject to audit by the grantor agencies.

Litigation

The School is not involved in litigation that, in the opinion of management, would have material effect on the financial statements.

State Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, DEW may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. DEW performed such a review on the School for fiscal year 2020.

In addition, the School's contract with its Sponsor requires payment based on revenues received from the State. Management believes this may result in either an additional receivable to, or liability of, the School.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE PERIOD JULY 1, 2019 TO NOVEMBER 16, 2019**

Note 8 – School Closure

On November 16, 2019, the School’s Governing Board adopted a resolution to disband the School effective immediately. The remaining available funds at the time are not sufficient to pay all accumulated outstanding obligations. The Treasurer will disburse the remaining funds as appropriate.

The activity of the School for the period November 17, 2019 through March 31, 2020 is summarized in the following table:

Operating Receipts	
Miscellaneous	\$31,062
<i>Total Operating Receipts</i>	<u>31,062</u>
 Operating Disbursements	
Salaries	18,874
Fringe Benefits	1,299
Purchased Services	13,617
Materials & Supplies	16
Miscellaneous	1,803
<i>Total Operating Disbursements</i>	<u>35,609</u>
<i>Operating Loss</i>	(4,547)
 Non-Operating Receipts	
Federal and State Grants	19,560
<i>Total Non-Operating Receipts</i>	<u>19,560</u>
<i>Net Change in Fund Cash Balances</i>	15,013
<i>Fund Cash Balance, November 17</i>	<u>3,418</u>
<i>Fund Cash Balance, March 31</i>	<u><u>\$18,431</u></u>

**PAUL D. WHITE SCHOOL OF EXCELLENCE
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Operating Receipts	
State Foundation	\$709,655
Casino	5,237
Miscellaneous	40,955
<i>Total Operating Receipts</i>	<u>755,847</u>
Operating Disbursements	
Salaries	454,206
Fringe Benefits	163,665
Purchased Services	287,738
Materials & Supplies	16,540
Capital Outlay	17,528
Miscellaneous	39,634
<i>Total Operating Disbursements</i>	<u>979,311</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(223,464)</u>
Non-Operating Receipts	
Federal and State Grants	212,323
<i>Total Non-Operating Receipts</i>	<u>212,323</u>
<i>Net Change in Fund Cash Balances</i>	(11,141)
<i>Fund Cash Balance, July 1, Restated</i>	<u>12,255</u>
<i>Fund Cash Balance, June 30</i>	<u><u>\$1,114</u></u>

See accompanying notes to the basic financial statements

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 1 – Description of the Entity

The Paul D. White School of Excellence is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific, and related teaching services. 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 contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2016 and ending June 30, 2018. The Sponsor automatically renewed for a one-year term through June 30, 2019. The Sponsor was responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operated under a five member self-appointed Board of Trustees. The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

Note 2 – Summary of Significant Accounting Policies

As discussed further in this note, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The School's significant accounting policies are described below.

Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the School has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The School's financial statements consist of a Statement of Receipts, Disbursements and Changes in Fund Balance – Regulatory Cash Basis.

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 (with the exception of ORC 5705.391 - Five Year Forecasts), unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor required a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Deposits

All monies received by the School are maintained in a demand deposit account. Total cash for all funds is presented as "cash" on the accompanying statement of net position.

Intergovernmental Receipts

The School participated in the State Foundation and Casino Program Programs. Receipts received from the State Foundation and Casino Programs are recognized as operating receipts in the accounting period in which the entitlement is received. Amounts received under the above programs totaled \$714,892.

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the entitlement is received. Amounts received under the above program totaled \$212,323.

Note 3 – Deposits

At June 30, 2019, the carrying amount of the School's deposits totaled \$1,114. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 4 – Risk Management

Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2019, the School contracted with Peerless and Netherlands Insurance Companies for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during the fiscal year ended June 30, 2019. The premium is calculated by multiplying the gross total payroll by a factor that is calculated by the State.

Note 5 – Purchased Services

For the fiscal year ended June 30, 2019, purchased service disbursements were payments for services rendered by various vendors as follows:

410	Professional and Technical Services	\$105,763
420	Property Services	95,593
430	Travel and Meetings	(392)
440	Communications	8,061
450	Utilities	8,710
460	Contractual Trade Services	43,050
480	Transportation	<u>26,953</u>
	Total	<u>\$287,738</u>

Note 6 – Sponsorship Agreement

The School was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2013 and ending June 30, 2015. For fiscal year 2016, the Sponsor renewed its contract with the School effective through June 30, 2018. The Sponsor automatically renewed for a one-year term through June 30, 2019. Sponsorship fees were paid in the amount of \$20,788 during the fiscal year ended June 30, 2019 and are reflected as "Purchased Services" in the Statement of Receipts, Disbursements and Changes in Fund Balance.

**PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 7 – 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 agreements and is subject to audit by the grantor agencies.

Litigation

The School is not involved in litigation that, in the opinion of management, would have material effect on the financial statements.

State Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, DEW may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. DEW performed such a review on the School for fiscal year 2019.

In addition, the School's contract with its Sponsor requires payment based on revenues received from the State. Management believes this may result in either an additional receivable to, or liability of, the School.

Note 8 – Restatement of Net Position

The School restated its net position as of June 30, 2018 due a change from generally accepted accounting principles to a regulatory cash basis of accounting. The adjustments had the following effect on the School's cash fund balance, as follows:

Net Position, June 30, 2018	(\$2,290,864)
Adjustments:	
Total Assets and Deferred Outflows of Resources	(541,378)
Total Liabilities and Deferred Inflows of Resources	2,844,497
Restated Fund Cash Balance, June 30, 2018	<u>\$12,255</u>

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Paul D. White School of Excellence
Cuyahoga County

Educational Resource Consultants of Ohio, Inc.
School Sponsor
Butler County
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

To the Board of Trustees and Sponsor:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Paul D. White School of Excellence, Cuyahoga County, (the School) as of and for the period July 1, 2019 through November 16, 2019 and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated September 23, 2024. We did not opine on these financial statements because the School could not substantiate certain reported disbursements, cash fund balances at November 16, 2019, June 30, 2019 and July 1, 2018; or amounts reported in the Purchased Services note disclosures. Additionally, the School did not present note disclosures regarding its building leases, did not follow accounting principles generally accepted in the United States of America as required by Ohio Admin. Code 117-2-03, and did not provide written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*. In addition, we noted the School closed on November 16, 2019.

Internal Control Over Financial Reporting

As part of our financial statement engagement, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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.

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 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 School'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.

Efficient • Effective • Transparent

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 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 financial statement. However, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2024

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
NOVEMBER 16, 2019 AND JUNE 30, 2019

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

FINDING NUMBER 2020-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs A14 & .A16.

The School could not substantiate reported Fringe Benefits, Purchased Services, Materials & Supplies, Capital Outlay and Miscellaneous Operating Disbursements of \$41,546, \$54,705, \$2,093, \$3,300 and \$529, respectively, for the period July 1, 2019 through November 16, 2019, and \$163,665, \$287,738, \$16,540, \$17,528 and \$39,634, respectively, for fiscal year 2019. In addition, the School could not substantiate its restated cash fund balance of \$12,255 at July 1, 2018, and therefore, could not substantiate its cash fund balances of \$3,418 and \$1,114 at November 16, 2019 and June 30, 2019, respectively.

Further, the School could not substantiate the reported Purchased Services disbursement allocations within the Notes to the Financial Statements of Professional and Technical Services, Property Services, Communications, Contractual Trade Services and Transportation, of \$28,844, \$11,877, \$472, \$9,879, and \$3,633, respectively, for the period July 1, 2019 through November 16, 2019, and of Professional and Technical Services, Property Services, Travel and Meetings, Communications, Utilities, Contractual Trade Services and Transportation, of \$105,763, \$95,593, (\$392), \$8,061, \$8,710, \$43,050, and \$26,953, respectively, for fiscal year 2019. Additionally, the School did not present a note disclosure for its building leases, which had total payments of \$22,410 for the period July 1, 2019 to November 16, 2019, and \$102,439 for fiscal year 2019.

We were unable to obtain sufficient, appropriate audit evidence, therefore the issues described above resulted in the School receiving a disclaimer of opinion on its financial statements for the period July 1, 2019 through November 16, 2019 and fiscal year 2019.

The errors noted above resulted from the School's lack of support for financial transactions posted and financial balances reported.

The School should have established procedures to accurately report amounts on its financial statements in accordance with the applicable accounting standards. An inability to properly report financial information may result in users of the financial statements basing their conclusions on material misstated financial information.

Officials' Response: We did not receive a response from Officials to this finding.

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
NOVEMBER 16, 2019 AND JUNE 30, 2019
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2020-002

Failure to Follow Generally Accepted Accounting Principles – Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. 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.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure, the School prepared financial statements in accordance with the regulatory basis of accounting established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School's ability to evaluate and monitor the overall financial condition of the School. To help provide the users with more meaningful financial statements, the School should have prepared its annual financial reports according to generally accepted accounting principles.

Officials' Response: We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



PAUL D. WHITE SCHOOL OF EXCELLENCE

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/3/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov