



**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Greater Cincinnati Community Academy
Hamilton County
607 Carthage Avenue
Cincinnati, Ohio 45215

To the Board of Directors:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Cincinnati Community Academy, Hamilton County, Ohio as of June 30, 2001, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As shown in the financial statements, the Academy has incurred a net loss in the amount of \$1,614,802 for the year ended June 30, 2001, has a working capital deficiency of \$1,652,764 as of June 30, 2001 and accumulated a deficit retained earnings of \$1,501,604. Accordingly, there is substantial doubt about the Academy's ability to continue as a going concern. Management's plans in regards to these matters are discussed in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2002, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the Academy, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole

Jim Petro
Auditor of State

April 3, 2002, except for note 7 to the financial statements which is dated April 8, 2002.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

ASSETS	
Current Assets	
Cash	\$8,314
Intergovernmental Receivable	84,142
Prepayment	34,615
Total Current Assets	<u>127,071</u>
Non-Current Assets	
Fixed Assets (Net)	<u>772,063</u>
TOTAL ASSETS	<u><u>\$899,134</u></u>
 LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	\$154,339
Leases Payable	9,707
Intergovernmental Payable -SERS	359,087
State Foundation Payable	516,807
Capital Equipment Lease Purchase Payable	102,527
Loan-Line of Credit Payable	300,000
Loans from Officer	40,500
O&B Foundation Payable	20,000
Accrued Wages & Benefits	276,868
Total Current Liabilities	<u>1,779,835</u>
Long-Term Liabilities	
State Foundation Payable	452,206
Capital Equipment Lease Purchase Payable	168,697
Total Long-Term Liabilities	<u>620,903</u>
TOTAL LIABILITIES	<u>2,400,738</u>
 FUND EQUITY	
Accumulated Deficit	<u>(1,501,604)</u>
TOTAL LIABILITIES & FUND EQUITY	<u><u>\$899,134</u></u>

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

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

Operating Revenues	
State Foundation Payments	\$2,100,499
Disadvantaged Pupil Impact Aid	253,122
State Special Education Program	495,376
Other Operating Revenues	<u>20,376</u>
Total Operating Revenues	<u>2,869,373</u>
Operating Expenses	
Salaries	2,429,900
Fringe benefits	759,401
Purchased services	1,166,126
Supplies and Materials	506,773
Depreciation	257,923
Other	<u>17,734</u>
Total Operating Expenses	<u>5,137,857</u>
Operating Loss	(2,268,484)
Non-Operating Revenue (Expense)	
Federal and State Grants	586,556
Donations	95,506
Interest Expense	<u>(28,380)</u>
Total Non-operating Revenue (Expense)	<u>653,682</u>
Net Loss	(1,614,802)
Retained earnings at beginning of year	<u>113,198</u>
Accumulated Deficit at end of year	<u><u>(\$1,501,604)</u></u>

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

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

Increase (Decrease) in Cash

Cash Flows from Operating Activities	
Cash Received from State & Federal Government	\$3,179,250
Cash Payments to Suppliers for Goods and Services	(1,644,896)
Cash Payments to Employees for Services	(2,403,946)
Cash Payments to Employee Benefits	(685,666)
Other Operating Revenue	20,376
Net Cash Used for Operating Activities	<u>(1,534,882)</u>
Cash Flows from Noncapital Financing Activities	
Donations	95,506
State and Federal Grants Received	586,556
Net Cash Provided by Noncapital Financing Activities	<u>682,062</u>
Cash Flows from Capital and Related Financing Activities	
Debt/Loan Proceeds	378,150
Principal Payment	(44,915)
Interest Payment	(28,380)
Payments for Capital Acquisition	(91,952)
Repayment of Loan to Officer	(17,650)
Net Cash Provided by Capital and Related Financing Activities	<u>195,253</u>
Net Decrease in Cash	<u>(657,567)</u>
Cash at the Beginning of the Year	<u>665,881</u>
Cash at the End of the Year	<u><u>\$8,314</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$2,268,484)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	257,923
Changes in Assets & Liabilities:	
Increase in Prepayment	(34,615)
Increase in Intergovernmental Receivable	(84,142)
Decrease in Accounts Payable	(73,334)
Increase in Leases Payable	2,707
Increase in Intergovernmental Payable	172,515
Increase in State Foundation Payable	413,388
Increase in Accrued Wages Payable	79,160
Total Adjustments	<u>733,602</u>
Net Cash Used for Operating Activities	<u><u>(\$1,534,882)</u></u>

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

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**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Greater Cincinnati Community Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to provide an appropriate educational facility and program for all age groups and to provide instruction in courses which meet general educational requirements compatible with and approved by the State of Ohio. The Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy's management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's exempt status. The Academy, which is part of the state's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The creation of the Academy was initially proposed to the State Board of Education of Ohio, the sponsor, by the Greater Cincinnati Community Academy on June 24, 1999. The State Board of Education approved the proposal and entered into a five-year contract with the Board of Trustees of the Academy. The contract provided for the commencement of Academy operations on June 24, 1999.

The fiscal operations of the Academy in under a ten member board who is directed by the President of the Board. This board is responsible for formulating policies regarding fiscal operations and monitoring the expenditure of funds. The Academy's Treasurer also serves as the Chief Financial Officer of the Academy. The Treasurer is responsible for directing the financial affairs of the Academy including accounting purchasing, insurance, housekeeping and maintenance and is responsible for reporting the progress of the Academy against those responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus and Basics of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Budgetary

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

D. Cash

All monies received by the Academy are accounted for by the Academy's Treasurer. For cash management, all cash received by the Treasurer is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash" on the accompanying balance sheet.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. Improvements to leased buildings are depreciated over the remainder of the five-year lease.

F. Intergovernmental Revenues

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

The Academy also participates in various Federal Programs through the Ohio Department of Education. Revenue received from these programs is recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under the above named programs for the 2001 school year total \$3,485,840.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

3. CASH AND DEPOSITS

At June 30, 2001 the Academy had a cash balance of \$8,314. The bank balance of the Academy's deposits was \$14,905 of which \$14,905 was covered through federal depository insurance (FDIC) for two separate accounts.

4. FIXED ASSETS

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

Leasehold improvements	\$ 996,892
Furniture & Equipment	<u>198,718</u>
Subtotal	1,195,610
Less: Accumulated Depreciation	<u>(423,547)</u>
Net Fixed Assets	<u>\$ 772,063</u>

5. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2001, the Academy contracted with A.E. Olverson Agency for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy.

B. Employee Medical, Dental, and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 100% of the monthly premium.

C. Workers' Compensation

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

6. OPERATING LEASES

In September of 1999, the Academy entered into a five-year lease for 20,000 square feet of building space to be used for educational purposes. The Academy has an option for four consecutive five-year lease renewals. In fiscal year 2001, the Academy paid \$3,000 per month, plus utilities.

In October of 2000, the Academy entered into five-year leases for three modular classrooms. In fiscal year 2001 the Academy paid \$700 per month, per classroom, plus utilities.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

6. OPERATING LEASES (Continued)

In August of 1996, Dr. H. Marie Congo and Dr. Janet L. Perry, currently CEO/Developer and Human Resources Officer, respectively, of the Greater Cincinnati Community Academy entered into a five-year lease agreement with Lockland City School District for a building used as administrative offices by the Greater Cincinnati Christian Academy, which is no longer in business. In fiscal year 2001, the Greater Cincinnati Community Academy used the building for their administrative offices and paid the lease commitment of \$4,000 per month, plus utilities. In September of 2001, the building was leased by the Greater Cincinnati Community Academy for one year with the option for a one-year renewal.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute 14 percent; for fiscal year 2001, 5.5 percent was the portion to fund pension obligations. The contribution rates are established by SERS's Retirement Board within the rates allowed by State statute. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001 and 2000, was \$81,144 and \$53,531 respectively.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

The Academy has not made the required employer or employee contributions due to SERS in the amount of \$218,601 and \$140,486, respectively, for fiscal year 2001. The total contribution outstanding at June 30, 2001 is \$359,087 and is included in "Intergovernmental Payable-SERS." As of February 28, 2002, the amount due SERS increased to \$585,305, of which \$356,298 was for employer contributions and \$229,007 in employee contributions. On April 8, 2002, the Academy paid \$40,000 of the employee contribution due at June 30, 2001 to SERS.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivors, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

This report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Academy is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contribution for pension obligation to STRS for the fiscal year ended June 30, 2001 was \$52,742; 100 percent has been contributed for fiscal year 2001.

The Academy did not make required payment to the SERS and STRS by the dates required by Ohio law.

8. POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Academy, this amount equaled to \$70,322 and 94.8 percent has been contributed for 2001 fiscal year.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2001, the minimum pay has been established at \$12,400. The portion of the Academy's contributions that were used to fund post-employment benefits was \$125,403.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from Academy policies and State laws. Full-time employees are eligible for fifteen days of paid vacation annually after one year of service. Employees may not carry unused vacation into the next year, unused vacation will be forfeited.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

9. OTHER EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The Academy provides life insurance to all employees through a private carrier. Coverage is provided for all certified and non-certified employees.

C. Employee Medical, Dental, and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 100% of the monthly premium.

10. CAPITAL LEASE

During fiscal year 2000, the Academy entered into a 54-month lease/purchase agreement with Firststar Bank for \$350,000 at an interest rate of 9 percent. The lease was used to purchase equipment, furniture and textbooks. As of June 30, 2001, \$271,224 of the agreement was outstanding. The equipment, furniture and textbooks obtained through the agreement serve as collateral.

Fixed assets acquired by the capital lease have been capitalized in the amount of \$111,031.

The following is a summary of the District's future annual lease payments:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$102,527	\$14,633	\$117,160
2003	81,510	9,355	90,865
2004	<u>87,187</u>	<u>3,752</u>	<u>90,939</u>
	<u>\$271,224</u>	<u>\$27,740</u>	<u>\$298,964</u>

The Academy did not have fiscal funding or a cancellation clause for leases as required by Auditor of State Bulletin 2000-005.

As of June 30, 2001, the Academy was delinquent by \$26,326 on lease payments.

As of February 28, 2002, the Academy had eliminated the delinquent payments.

11. DEBT

On March 13, 2001, the Academy entered into a Community School Revenue Note with Firststar Bank for \$300,000. The note was set up as a line of credit and the Academy received the total proceeds in installment payments during fiscal year 2001. The interest rate was the prime rate if the Academy repaid the line of credit as of June 30, 2001. The entire balance was outstanding as of June 30, 2001. On October 28, 2001 the bank and the Academy entered into a first supplement for the note. This increased the interest rate to the prime rate plus 3%. According to the supplemental agreement, the Academy was to pay \$50,000 per month, which included interest and principal, beginning December 15, 2001 and the 15th day of each subsequent month until the principal is paid in full. As of February 28, 2002, the Academy owed \$32,962 on this note. The note is secured by and constitutes a charge on revenues, being generally the revenues to be derived from the Ohio Department of Education pursuant to Section 3314.08(J) of the Ohio Revised Code.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

11. DEBT (Continued)

An Academy Officer made \$40,500 in loans to the Academy (\$10,000 on June 25 and \$30,500 on June 30, 2001). These loans are outstanding as of June 30, 2001. There is no debt agreement and therefore, there are no terms, conditions, collateral or interest rate specified.

The Community School Revenue Notes and loans from the Academy Officer were not repaid by the end of the fiscal year as required by Ohio law.

12. STATE FOUNDATION PAYABLE/RECEIVABLE

As of June 30, 2001, the Academy owed the Ohio Department of Education \$969,013 for overfunding in fiscal year 2000 based upon Ohio Department of Education reviews of enrollment criteria and full-time equivalency calculations. \$516,807 is to be paid in fiscal year 2002 and is reflected as a current liability on the balance sheet. \$452,206 is reflected as a long term liability and is to be paid in fiscal year 2003.

As a result of Ohio Department of Education reviews for fiscal year 2001, an intergovernmental receivable of \$84,142 is shown on the balance sheet.

13. STATE SCHOOL FUNDING DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of April 3, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

14. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2001.

B. Pending Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws.

The effect of this suit, if any, on the Greater Cincinnati Community Academy is not presently determinable.

C. Delinquent School Employee Retirement Contributions

The School Employee Retirement System has pending legal action for the collection of delinquent employer/employee contributions. The amount as of June 30, 2001 is \$359,087. The amount as of February 28, 2002 is \$585,305.

15. RELATED PARTIES

The following are considered related party transactions:

- Dr. H. Marie Congo, CEO/Developer of the Academy, authorized a cashier's check for \$75,000 drawn on the Academy's general account as a partial payment of an account payable due to the Greater Cincinnati Christian Academy, which is no longer in business, for furniture and equipment received by the Academy in 2000. The cashier's check was paid to a local bank to retire a note owed by the Greater Cincinnati Christian Academy. Dr. H. Marie Congo and Dr. Janet Perry, Human Resources Director, were co-makers of the note.
- Carl Shye, Treasurer, loaned the Academy \$17,650 during the 2001 fiscal year. The entire amount was repaid to Mr. Shye during the 2001 fiscal year.
- Dr. Janet Perry, Human Resource Director, loaned the Academy \$40,500 during the 2001 fiscal year, and the loan remains unpaid by the Academy at June 30, 2001.
- The Academy paid \$9,352 during 2001 to the Willis Brothers Construction Company for improvements to the Academy's leased school building. The Willis Brothers Construction Company is partially owned by the husband of a Board member.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

15. RELATED PARTIES (Continued)

- The Academy disbursed \$37,500 to the O & B Foundation and received a subsequent \$20,000 refund from the O & B Foundation. The Foundation did not provide the Academy with documentation of services provided or items purchased on behalf of the Academy related to the \$17,500 that it retained. The Foundation Trustees consist of Dr. H. Marie Congo, CEO/Developer, Arthur Congo, Special Events Coordinator, and Carl Shye, Treasurer/ Business Manager.
- The Academy purchased insurance from A. E. Olverson Insurance Agency in the amount of \$9,354. The A. E. Olverson Insurance Agency is owned by Albert Olverson, a GCCA board member at the time of the purchase

16. PURCHASED SERVICES

Purchased services were composed of the following:

Utilities	\$135,367
Building/Equipment Leases	95,917
Contract Repair & Maintenance	128,246
Student Testing and Transportation	217,332
Food Service	48,143
Insurance	19,236
Data Processing Services	20,953
Communications	112,856
Professional Technical	227,165
Advertising	950
Contract Services	41,547
Staff Training	<u>118,414</u>
	<u>\$1,166,126</u>

17. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

The Academy has developed a plan to stabilize its financial position. Errors in the enrollment reporting process and inadequate documentation for special needs students caused the funding decrease and the resulting financial problems which the Academy experienced. The Academy believes that these problems have been addressed through changes in personnel and management practices. Subsequent procedural audits of the Academy's practices by the Ohio Department of Education have been favorable and have resulted in a more predictable revenue stream. This was the first step in the Academy's recovery process since it prevented further deterioration of their financial condition.

Since June 30, 2001, the Academy has negotiated repayment terms with a number of its key creditors. The State Foundation Payable shown herein at \$969,013 has been reduced by \$323,000 as of March 2002 and the credit line payable (\$300,000) has a remaining balance of \$32,962 as of February 28, 2002. A plan for the payment of the SERS liability as of June 30, 2001 (\$359,087) has been submitted. SERS payments will begin in April 2002, with the intent to liquidate the entire liability by December 2002, and make timely payments on current liabilities to ensure that no further delinquencies occur. The payment arrangements have been made with consideration of the need to maintain the quality of education offered to their students, and taking care of their obligations to employees.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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

17. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT (Continued)

The Academy's plan to stabilize its financial position includes making budget cuts wherever possible to bring their spending in line with the revenues currently available to the Academy. Though implementation of the Academy's plan, the Academy expects that their efforts will result in the elimination of approximately \$1,000,000 of short-term liabilities by December 2002.

The Academy's long-term plans are to continue to monitor their spending through competent budgeting procedures, and seek additional grants from the public to make the Academy less reliant on State foundation funding. The Academy believes that they now have the necessary expertise in-house to accomplish these aims. They understand that the road to recovery will be difficult, but they believe they have the employees and the plans to accomplish this task. For these reasons, the Academy, the Board and the management of the Greater Cincinnati Community Academy believes that this entity will reduce the accumulated deficit and continue operations.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Commodity Distribution		10.550		5,150		5,070
National School Breakfast Program	05-PU-00 05-PU-01	10.553	\$3,365 <u>64,617</u>		\$3,365 <u>64,617</u>	
Total National School Breakfast Program			<u>67,982</u>		<u>67,982</u>	
National School Lunch Program	LL-P1-00 LL-P1-01 LL-P4-00 LL-P4-01	10.555	24,738 80,542 4,125 <u>10,188</u>		24,738 80,542 4,125 <u>10,188</u>	
Total National School Lunch Program			<u>119,593</u>		<u>119,593</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>187,575</u>	<u>5,150</u>	<u>187,575</u>	<u>5,070</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
ESEA Title I Grant	C1-S1-2000	84.010	293,707		293,707	
Drug Free Schools Grant	DR-S1-2000	84.186	4,584		4,584	
Eisenhower Math Science Grant	MS-S1-2000	84.281	5,066		5,066	
Public Charter Schools Subsidy	CH-S1-2000	84.282	50,000		50,000	
Innovative Education Program Strategy	C2-S1-2000	84.298	3,140		3,140	
Class Size Reduction Subsidy	CR-S1-2000	84.340	<u>33,027</u>		<u>33,027</u>	
Total Department of Education			<u>389,524</u>		<u>389,524</u>	
Total Federal Assistance			<u>\$577,099</u>	<u>\$5,150</u>	<u>\$577,099</u>	<u>\$5,070</u>

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

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Academy's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had an insignificant amount of food commodities in its inventory.



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

Greater Cincinnati Community Academy
Hamilton County
607 Carthage Avenue
Cincinnati, Ohio 45215

To the Board of Directors (Board):

We have audited the accompanying financial statements of the Greater Cincinnati Community Academy, Hamilton County, Ohio, (the Academy) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 3, 2002, except for note 7 to the financial statements which is dated April 8, 2002, wherein we noted that there is substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10431-001 through 2001-10431-010 and 2001-10431-019. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Academy in a separate letter dated April 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in accompanying schedule of findings as items 2001-10431-011 through 2001-10431-018 and 2001-10431-20 through 2001-10431-023.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable condition that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-10431-011 through 2001-10431-017 to be material weaknesses.

Greater Cincinnati Community Academy
Hamilton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

In addition, we did note other matters involving the internal control over Greater Cincinnati Community Academy, Hamilton County, financial reporting that does not require inclusion in this report, that we have reported to the management of the Academy in a separate letter dated April 3, 2002.

This report is intended for the information and use of the Board of Directors and management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 3, 2002, except for Finding 2001-10431-001 which is dated April 8, 2002.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Greater Cincinnati Community Academy
Hamilton County
607 Carthage Avenue
Cincinnati, Ohio 45215

To the Board Directors:

Compliance

We have audited the compliance of Greater Cincinnati Community Academy, Hamilton County, Ohio (the Academy) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Greater Cincinnati Community Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Greater Cincinnati Community Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings as items 2001-10431-024 and 2001-10431-025.

Internal Control Over Compliance

The management of Greater Cincinnati Community Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Greater Cincinnati Community Academy
Hamilton County
Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
Over Compliance In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 3, 2002

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2001-10431-001

Finding for Recovery

The Academy did not remit \$229,007 in School Employees Retirement System (SERS) contributions withheld from wages earned by employees to SERS. Ohio Rev. Code Section 3309.47 states that each school employees retirement system contributor shall contribute nine percent of his compensation to the employees' savings fund. The contributions by the direction of the school employees retirement board shall be deducted by the employer from the compensation of each contributor on each payroll of such contributor of each payroll period and shall be an amount equal to the required per cent of such contributor's compensation. Each contributor shall pay with the first payment to the employee's savings fund each year a sum to be determined by the board, as provided by law, which amount shall be credited to the expense fund.

**FINDING NUMBER 2001-10431-001
(Continued)**

On April 8, 2002, the Academy paid \$40,000 of the amount due to SERS as of June 30, 2001. SERS indicated that they will apply the \$40,000 to the amount withheld by the Academy from employees but not remitted to SERS. Therefore, the Academy has withheld \$189,007 (\$229,007 due at June 30, 2001 less \$40,000 paid to SERS on April 8, 2002) from employees for SERS pension contributions and not remitted that amount to SERS.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money converted and misappropriated is hereby issued against the Greater Cincinnati Community Academy, Carl Shye, Business Manager/Treasurer, and their bonding company, EMC Insurance Company jointly and severally, in the amount of one hundred eighty-nine thousand and seven dollars (\$189,007) , plus penalties and interest, in favor of the School Employees Retirement System.

FINDING NUMBER 2001-10431-002

Finding for Recovery

Checks totaling \$41,356 were written to Terry Sylvester, former Treasurer, for reimbursements of goods and services that were not evidenced by a vendor receipt or any other supporting documentation. The Academy's internal auditor investigated these and could not provide an explanation for the reimbursements. We performed a physical observation of the assets and attempted to locate the items which were supposedly purchased but were unsuccessful in locating them. We next contacted Terry Sylvester and asked him for documentation or some other explanation for the reimbursements. Mr. Sylvester provided us with additional documentation relating to \$31,776 in goods or services. The documentation revealed that of that amount (\$31,776), \$14,304 in goods were delivered to Mr. Sylvester's home. These goods could not be accounted for by the Academy staff or located through our inventory count at the Academy. Therefore, only \$17,472 in goods and services for which Mr. Sylvester received reimbursement were accounted for, and \$23,884 in public money was illegally expended (\$41,356 reimbursed to Mr. Sylvester less the \$17,472 in goods and services that could be accounted for) for reimbursements for goods purchased and services that could not be verified as delivered or provided to the school. Carl Shye, the Business Manager, for the Greater Cincinnati Community Academy, signed the reimbursement. Academy Board members indicated that they verbally authorized the payments to Terry Sylvester.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Terry Sylvester, Carl Shye, and their bonding company, EMC Insurance Company, jointly and severally, in the amount of \$23,884 in favor of Greater Cincinnati Community Academy.

FINDING NUMBER 2001-10431-003

Finding for Recovery

Carl Shye as the Greater Cincinnati Community Academy Business Manager authorized the payments to the following vendors without supporting documentation: on June 25, 2001, \$125 to West Coast Roosevelt and \$57 to PBS Public Broadcasting, CA; on June 26, 2001, \$961 to AMTRACK 1732; and on June 27, 2001, \$287 to E. Bauer. There was no documentation for the above expenditures and the Academy could not independently verify them with the vendor, locate them at the Academy or explain what they were for. We could not verify the existence of the above mentioned items through our inventory examination.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended, is hereby issued against Carl Shye, and his bonding company, EMC Insurance Company, jointly and severally, in the amount of \$1,430 in favor of Greater Cincinnati Community.

FINDING NUMBER 2001-10431-004

Finding for Recovery

The Academy made payments to Board members and former Board members during 2001 based on a memo from Board Secretary Vivian Strickling to Dr. H. Marie Congo, Developer/CEO which stated in part that "It has been brought to my attention that there are still some outstanding payments due to the persons that were board members between the dates of January 10, 1997 and August 2, 1999. This is an invoice of the board members that attended those meetings and the payments due to them. Each member will be paid \$50 per meeting as stated in the January 10, 1997 board meeting minutes."

The law providing the authority to establish community schools became effective on July 1, 1998, and the Academy commenced operations on June 24, 1999. While the Academy required time to plan and organize, it is not reasonable for the Academy to reimburse Board members for meetings that took place as early as early as 18 months prior to the date that the law providing the authority to establish community schools became effective, and 30 months prior to the date that the Academy commenced operations. The Academy incurred a \$1.6 million net loss in the 2001 fiscal year, which is the year that the reimbursements were made.

The Academy should only reimburse the Board for meetings held after the legal authority to establish community schools was effective. Therefore, Board members should be reimbursed only for those meetings held after July 1, 1998. Academy minutes indicate that 14 of the 26 meetings were held prior to July 1, 1998, and therefore each Board member was inappropriately reimbursed for 14 meetings, except for Jacqueline Allen, who attended only 13 of the meetings held before July 1, 1998. The amount of allowable reimbursement for each Board member is calculated as follows:

<i>Board Member</i>	<i>Total Amount Reimbursed for Attending Board meetings</i>	<i>Amount of Reimbursement Allowed for Meetings Held After July 1, 1998.</i>	<i>Amount of Finding for Recovery for Reimbursement for Meetings Held Prior to July 1, 1998.</i>
Dr. Janet Perry	\$1,300	\$600	\$700
Ms. Etta McBurrows	1,300	600	700
Dr. H. Marie Congo	1,300	600	700
Ms. Romona Richardson	1,300	600	700
Mrs. Johnnye Willis	1,300	600	700
Mrs. Jacqueline Allen	800	150	650
Ms. Iris Cole	1,300	600	700
Mrs. Vivian Strickling	1,300	600	700

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following individuals for the following amounts, and the Academy's bonding company, EMC Insurance Company, jointly and severally, in favor of the Greater Cincinnati Community Academy: Dr. Janet Perry - \$700, Ms. Etta McBurrows - \$700, Dr. H. Marie Congo - \$700, Ms. Romona Richardson - \$700, Mrs. Johnnye Willis - \$700, Mrs. Jacqueline Allen - \$650, Ms. Iris Cole - \$700, Mrs. Vivian Strickling - \$700.

FINDING NUMBER 2001-10431-005

Material Noncompliance

Ohio Rev. Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42.

The Academy could not locate 28% of the invoices requested for review upon initial request for these records by the Auditor of State. These expenditures were documented by only plain white paper with vendor names and amounts as the supporting documentation with only the name of the vendor and amount. No deposit slips were provided for review. The Academy eventually obtained some documentation from the former treasurer and vendors.

FINDING NUMBER 2001-10431-006

Material Noncompliance

Ohio Rev. Code, Section 3314.10(A)(2), states in part that employment with a community school is subject to either Ohio Revised Code Chapter 3307 or 3309. Ohio Rev. Code, Sections 3307.01, 3307.012, 3307.381, 3307.51, 3307.53, and 3307.56 - {State Teachers Retirement System (STRS)}, and Ohio Rev. Code, Sections 3309.23, 3309.341, 3309.47 and 3309.49 - {School Employees Retirement System (SERS)}, require community schools to enroll their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions. The Academy did not make timely payments to STRS and SERS during fiscal year 2001, owing \$359,087 to SERS on June 30, 2001, and \$14,000 to STRS at October 31, 2001 (related to fiscal year 2002). At February 28, 2002 the Academy still owed \$585,305 to SERS.

FINDING NUMBER 2001-10431-007

Material Noncompliance

Auditor of State Bulletin 2000-05 indicated that lease agreements are not considered to be a loan to be paid back within one year, however, lease agreements that extend beyond the current fiscal year should include a fiscal funding or cancellation clause. Such a clause permits the community school to terminate the agreement on an annual basis if the funds are not appropriated to make the required payments. The Academy has an equipment lease purchase agreement with Firststar Bank for the purchase and lease of equipment, but it does not include the required fiscal funding/cancellation clause. This agreement, with a balance of \$271,224 at June 30, 2001, is scheduled to be repaid in monthly payments through 2004. In October of 2000 the Academy entered into a five year lease agreement for the rent of three modular classrooms. This lease agreement also did not include a fiscal funding or cancellation clause.

We recommend the Academy review all lease agreements that extend beyond the end of the fiscal year in which they are issued to determine that they contain a fiscal funding or cancellation clause. The Academy should also include this clause in all future lease agreements.

FINDING NUMBER 2001-10431-08

Material Noncompliance

The Academy did not comply with the Financial Plan Section, Exhibit 2 of their contract with the Ohio Department of Education (ODE). The contract states that the Treasurer is required to submit monthly financial reports to the Academy's Board for review. The Treasurer did not prepare or submit to the Board any of the required reports for fiscal year 2001. We recommend the Treasurer provide monthly financial reports and the Board note in the minutes of their meetings that the reports were received, reviewed and approved.

FINDING NUMBER 2001-10431-09

Material Noncompliance

Ohio Rev. Code Section 3314.08(J), provides that a community school may borrow money to pay any necessary and actual expenses of the school in anticipation of the receipt of any portion of the payments to be received by the school pursuant to division (D) of this section. The school may issue notes to evidence such borrowing to mature no later than the end of the fiscal year in which such money is borrowed.

The Academy issued notes in March 2001 for \$300,000 but did not repay them by the end of the fiscal year. The Academy also received loans from officers of \$58,150 of which \$40,500 was outstanding at the end of the fiscal year. These loans did not have a maturity date and thus were not due by the end of the fiscal year.

FINDING NUMBER 2001-10431-010

Material Noncompliance

Ohio Rev. Code, Section 3314.03(A)(8), requires all community schools to maintain financial records in the same manner as all public school districts in the State of Ohio. Therefore, community schools are required to use the Uniform School Accounting System (USAS) as prescribed in Ohio Administrative Code Chapter 117-6. Ohio Admin. Code Section 117-6-01, states that each community school is required to employ USAS. The Academy did not use USAS nor a system meeting the minimum standards of USAS.

FINDING NUMBER 2001-10431-011

Material Weakness

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

The lack of a fixed asset system and established procedures to monitor additions and deletions will decrease the Academy's ability to safeguard its fixed assets. This lack of ability to safeguard fixed assets is exemplified by the Academy's difficulty in locating nine computers and a network printer purchased during 2001. The purchase was authorized in August, 2000 by Terry Sylvester, former Treasurer. The authorization was submitted to Carl Shye, Business Manager, in the form of a fax with a handwritten note "Need a check to

**FINDING NUMBER 2001-10431-011
(Continued)**

Micro Center for \$20,510 lap-tops, & network printer for mentors. Prepare ASAP overnight FedEx with the other two checks.” The fax also included a bill with no letterhead for \$20,510 containing the description “Laptops and network printer.” Mr. Shye issued the check for \$20,510. The Academy could not locate the computers until April 2002 after Mr. Sylvester provided an invoice detailing nine computers and a network printer and providing the related serial numbers. The invoice indicated that the computers and the printer were delivered to Mr. Sylvester’s residence. However, the Academy was eventually able to locate the computers in the school building.

Establishing a fixed asset system and policies and procedures will improve control over Academy property by decreasing the risk of loss and misappropriation. Perpetual maintenance of such information will also assist the Academy in maintaining adequate insurance coverage, as well as provide support evidence in case of theft or fire losses.

FINDING NUMBER 2001-10431-012

Material Weakness

A review of the Academy’s cash reconciliation as of June 30, 2001 noted that checks totaling the amount of \$22,035 were listed as outstanding on the reconciliation however upon review we determined these checks were not outstanding. We found the following:

- a total of \$4,244 were voided checks;
- a check for \$16,745 made payable to the City of Cincinnati Income Tax Bureau and a check of \$914 made payable to an individual were never signed by the Treasurer, mailed or voided;
- a check for \$132 made payable to Xerox dated May 22, 2001 was signed by the Treasurer but never mailed.

The cash reconciliation process of the Greater Cincinnati Community Academy is not functioning properly. The reconciliation of the Academy’s bank accounts to its book balances is a basic and integral part of internal controls. Voided checks should not be included on outstanding checklists. This could result in vendors not being paid in a timely manner.

We recommend that discrepancies should be immediately investigated and resolved. The monthly reconciliations should be reviewed and approved by someone other than the Treasurer. This review should be indicated by the reviewer’s signature and date of review on the monthly reconciliations.

FINDING NUMBER 2001-10431-013

Material Weakness

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

- The Academy does not have a written policy addressing non-payroll disbursements
- There was no indication that expenditures were approved prior to purchases being made.
- Checks were issued out of their numeric sequence.
- Checks that were not used were not voided and did not have the signature line removed.

FINDING NUMBER 2001-10431-013
(Continued)

- Checks were not reviewed prior to being mailed which resulted in instances where checks were written in excess of the amount listed on the invoices creating overpayments to vendors.
- Checks were signed by only one individual
- 28% of the voucher files did not include detailed supporting documentation for expenditures.
- Payments for some significant purchases included sales tax.
- Checks numbered from 3300 to 3399 were not used. They were filed with all the canceled checks. However, none of the checks were stamped void and did not have the signature area removed.

These control weaknesses could result in errors or misstatements in the financial records, the unauthorized purchase of goods or services, or the misappropriation of Academy assets. The processing of non-payroll disbursements should include, but is not limited to:

- Establishing a board approved written policy governing non-payroll disbursements
- Prior authorization of a purchase should be obtained, through the use of a purchase order which documents approval by the appropriate members of management and includes appropriate coding of expenditures.
- All appropriate supporting documentation (requisitions, original invoices, verification of receipt of purchase and agreement to invoice) should be compiled prior to authorization for payment and filed.
- Checks which are issued should contain two signatures for issuance.
- The Academy should match the invoice with the purchase order and the check prior to payment. This matching procedure should be documented and the supporting documentation maintained.
- A comparison should be made of the check used to pay for a purchase and the supporting documentation to verify that the payee, amount, address, etc. on the check and invoice agree.
- A review of the Academy's check register should be performed monthly to verify that voided checks are not included in the total, to determine the reason for checks issued out of sequence, and to investigate other discrepancies and unusual items.
- Unused checks should be stamped "VOID" and/or have the signature area removed.
- The approval process for purchases should include the use of tax exempt forms to assist in providing assurance that sales tax is not paid on items purchased for the Academy.

FINDING NUMBER 2001-10431-014

Material Weakness

The Academy has not adopted a policy for reimbursement procedures to address employee submitted requests for the reimbursement of purchases related to Academy business. Credit card statements/receipts submitted by employees for reimbursement did not include itemized receipts to support purchases made. There was also no indication that the Academy's tax exemption was provided to avoid paying sales tax. In addition, several of the reimbursements submitted by employees were for gasoline purchases. Employees were not required to submit signed, detailed copies of purchase statements or mileage logs.

**FINDING NUMBER 2001-10431-014
(Continued)**

Failure to monitor payments for reimbursements could result in expenses incurred by the Academy that are not related to official Academy business. We recommend that the Academy adopt a policy for the reimbursement of purchases, including gasoline purchases. The policy should include, but not be limited to, inclusion of the employee's signature on the request for reimbursement, an itemized list of purchases that were made on behalf of the Academy and a prescribed time frame in which to request a reimbursement. The section of the policy related to the reimbursement of gasoline purchase should include, but not be limited to, maintaining a mileage log identifying odometer readings and the actual number of miles traveled on official Academy business. The log should be signed and turned into the fiscal officer to assist in determining accuracy and completeness. The policy should also address how the Academy will treat those expenditures which appear personal in nature and are not for a business/public purpose. The implementation of this policy would assist in providing assurance of the accuracy and completeness of the request, that the purchasing process was not circumvented, and that the purchases were for Academy business.

FINDING NUMBER 2001-10431-015

Material Weakness

In January 2001, the Greater Cincinnati Community Academy implemented the use of a debit card which is drawn on the Academy's main checking account. There was no policy in place governing the use of the debit card until it was requested by the Auditor of State on January 17, 2002. There is no evidence that the policy presented to us during the audit was approved by the Academy's Board of Directors.

During 2001, there were 138 non-payroll related debit card/debit memo transactions totaling \$102,137. The transactions ranged in value from \$4 to \$75,000. Of the 138 debit card/debit memo transactions, there were 67 transactions totaling \$85,568 for which the Academy retained no supporting documentation. Sales taxes were often paid on these debit card transactions.

These debit card/debit memo transactions were made without the prior approval of the Academy's Treasurer, thereby circumventing the internal control procedures for the non-payroll process that was recommended in both the prior and current audits of the Academy.

We recommend that the Board of Directors approve and implement a debit card/debit memo policy. To improve internal controls over the use of the debit card and authorization of debit memos, we recommend that this policy address: authorization of purchases, dollar limits, retention of records, and exemption from sales taxes.

FINDING NUMBER 2001-10431-016

Material Weakness

The following travel related expenditures were not supported by detailed documentation and included no indication of prior approval by the Board, Treasurer, Director, or Supervisor. However, the Board retroactively approved the expenditures in February 2002. The Academy in February 2002 also provided limited documentation for these expenditures.

FINDING NUMBER 2001-10431-016
(Continued)

<i>Check Number</i>	<i>Amount</i>	<i>Check Date</i>	<i>Check Description</i>	<i>Purpose of Check Per the Academy's Explanation</i>
4850-4861	\$7,425	12/03/00	Payable to Board Members and administrators. Signed by Treasurer.	\$7,425 Meals, Charter Conference.
4972	\$389	12/04/00	American West Airlines, check signed by Treasurer.	\$389 No documentation provided.
5334	\$219	1/17/01	Payable to Cindy Schneider	\$219 No documentation provided.
5590	\$144	2/02/01	Payable to Herschel Chalk	\$144 No documentation provided.
6563	\$247	05/17/01	Payable to Adrienne Lowery	\$247 No documentation provided.

The Academy should develop and implement a travel policy. This policy should include guidelines with respect to expenditures related to meals (and tips), hotels, rental car reimbursements, parking, training, and long distance phone calls. The policy should state proper reimbursement procedures such as prior authorization, detail receipts for all related travel expenses including restaurant charges, use and credit of award points earned related to travel charged to the Academy, allowable mileage rate, maximum daily hotel rates and/or consideration of a daily per diem for food and lodging, maximum amount of gratuities, maximum amount of reimbursement for long distance calls, use of a hotel room within a certain distance of the Academy, and possible utilization of a travel agent. Implementation of a travel policy would assist in promoting proper authorization, allow for complete and accurate records to be provided by employees and maintained by the Treasurer, and that all travel expenditures incurred are allowed.

FINDING NUMBER 2001-10431-017

Material Weakness

An effective monitoring control system should be implemented to assist management in detecting material misstatements in financial or other information. The Academy should develop and implement a monitoring control system to reduce the risk of not detecting material misstatements.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. There was no documentation in the minutes that the Board reviews financial and other information on a regular basis.

Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or can be of a more overview nature.

**FINDING NUMBER 2001-10431-017
(Continued)**

Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports) with independently accumulated information (budgets, past performance, etc.);
- Dual signatures on checks;
- Review of revenues/expenditures;
- Identification of unusual fluctuations, and;
- Review of monthly reconciliations.

FINDING NUMBER 2001-10431-018

Reportable Condition

The Academy had a maximum amount of deposits of \$824,924 on July 31, 2000. \$100,000 was covered by FDIC insurance and the balance was uninsured and uncollateralized. The Academy should consider obtaining insurance or a security agreement with their financial institution to provide security for an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds or pledged securities. The acquisition of security for all funds on deposit would provide a commitment for repayment of all funds on deposit.

FINDING NUMBER 2001-10431-019

Material Noncompliance

Section 8 of the debt covenants of the \$300,000 line of credit provides that the Issuer (Greater Cincinnati Community Academy) shall transfer monies in an amount necessary to meet principal and interest payments to the "Note Payment Fund." The Academy has not established a Note Payment Fund. Failure to comply with the debt covenants could result in the lender demanding immediate payment of the entire amount due.

FINDING NUMBER 2001-10431-020

Reportable Condition

Loans from officers to the Academy during the June 30, 2001 fiscal year amounted to \$58,150. The Treasurer and the Human Resource administrator loaned the Greater Cincinnati Community Academy \$17,650 and \$40,500, respectively. These loans were not substantiated with documentation, there were no written loan agreements, no terms of repayment, and no stated interest rate. Lack of clear documentation for loan agreements increases the possibility of loss of Academy resources through unreasonable interest payments, improper payments, and legal fees to resolve misunderstandings.

FINDING NUMBER 2001-10431-021

Reportable Condition

The Academy did not document financial transactions between the O&B Foundation (Foundation), Inc., and the Academy. The Foundation articles presented to us were signed February 24, 2000 by Marie Congo CEO/Director for the Academy, and trustees of the Foundation include Arthur Congo, H. Marie Congo and Carl W. Shye. The Academy transferred \$37,500 to the Foundation as follows: September 16, 2000 - \$25,000, and April 24, 2001 - \$12,500. On June 21, 2001 the O&B foundation transferred \$20,000 back to the Academy. The Academy indicated that the amounts transferred to the Foundation were remaining from a \$100,000 grant received in 2000, and that after establishing the Foundation, the Foundation officers decided to transfer the refunds back to the Academy to be disbursed from the Academy account. The Academy received no documentation of services provided or items purchased on behalf of the Academy related to the \$17,500 used by the Foundation.

There was no documentation detailing what or why expenditures were made to the O & B Foundation, or why monies were transferred in and out of the Foundation. Lack of documentation could allow funds to be spent for improper purposes and go undetected.

FINDING NUMBER 2001-10431-022

Reportable Condition

Administrative employees of the Academy did not have employment contracts with the Greater Cincinnati Community Academy's Board nor was there any indication that the Board approved their salary rates. There were no job descriptions for any of the administrative positions.

We recommend the Academy with board approval enter into contracts with administrative employees stipulating wages to be paid. Job descriptions should be created explaining responsibilities involved and duties to be performed.

FINDING NUMBER 2001-10431-023

Reportable Condition

The minutes of the Board of Directors for the Greater Cincinnati Community Academy had the following deficiencies:

- Expenditures and financial reports were not approved in the minutes.
- The minutes did not indicate approval for administrative salaries and hiring of administrative employees, the authorization of debt, approval of changes in the monthly spending, acceptance of donations, authorization of fund raisers/special events, or approval to solicit vendors for bidding of contracts or acceptance of contracts.

The minutes are the official proceedings of the Academy and should document all significant actions. The Board provides a monitoring control for the Academy when they review and approve expenditures and financial reports that are submitted during each meeting. The Board should review and approve the financial reports and document the action in the official minutes.

3. FINDINGS AND FOR FEDERAL AWARDS

Finding Number	2001-10431-24
CFDA Title and Number	84.340 Classroom Size Reduction, 84.186 Drug Free Schools 84.281 Eisenhower Professional Development Grant, 84.298 Innovative Educational Program Strategy
Federal Award Number / Year	CR-S1 2000 DR-S1 2000 MS-S1 2000 C2-S1 2000
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation

34 C.F.R. 80.20(b)(1) requires that a final expenditure report (FER) be completed and returned to the granting agency at the end of the grants fiscal year. The Greater Cincinnati Community Academy had the following federal grants for which they did not complete and file FER's with the grantor agency at the end of the fiscal year (9/30/00): Title VI-R CR-SI 2000 Classroom Size Reduction; DR-SI 2000 Drug Free Education Subsidy; MS-SI 2000 Math/Science Subsidy (Eisenhower grant) and Title VI-R C2-SI 2000 Innovative Education Program Strategy. We recommend the Academy file FER's promptly to comply with grant requirements and reduce the probability of discontinued funding.

Finding Number	2001-10431-25
CFDA Title and Number	84.010 Title 1, Part A, ESEA
Federal Award Number / Year	C1-S1 2000
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation

Local Education Agency General Assurance for Consolidated Local Plans, number 5 requires the Local Educational Agency (LEA) will use such fiscal control and fund accounting procedures so as to ensure proper disbursement of, and accounting for, federal funds paid to the district under the covered programs. The Greater Cincinnati Community Academy did not use the USAS system to account for Title 1 funds, they also did not separate out the federal funds from other Academy funds. We were able to determine the federal funds for presentation by using source documents (payroll, invoices etc.). We recommend the Academy establish a separate fund for each federal grant and institute a fund accounting system such as USAS to provide accountability over federal Funds.

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**OMB CIRCULAR A -133 § .505
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10431-001	Citation per Ohio Rev. Code, Section 149.351, unable to locate records	No	Not Corrected, Re-issued as Finding 2001-10431-005
2000-10431-002	Citation per Ohio Rev. Code, Section 3307, not paying STRS & SERS	No	Not Corrected, Findings for Recovery issued as Findings # 2001-10431-001 and 2001-10431-006
2000-10431-003	Citation per Ohio Rev. Code, Section 3314.03, teachers licensed	Yes	
2000-10431-004	AOS Bulletin 2000-05, no cancellation clause on lease	No	Not Corrected, Re-issued as 2001-10431-007.
2000-10431-005	ODE contract, Financial Plan, provide monthly financial reports	No	Not Corrected, Re-issued as Finding # 2001-10431-008
2000-10431-006	Formal Fixed Asset Policy	No	Not Corrected, Re-issued as Finding # 2001-10431-011
2000-10431-007	Weaknesses in the non-payroll system	No	Not Corrected, Re-issued as Finding # 2001-10431-013
2000-10431-008	Credit card Reimbursement	No	Not Corrected, Re-issued as Finding # 2001-10431-014
2000-10431-009	Academy Fund Raisers	Yes	



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GREATER CINCINNATI COMMUNITY ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2002**