MAUD BOOTH ACADEMY
HAMILTION COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

MAUD BOOTH ACADEMY
HAMILTON COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Maud Booth Academy
Hamilton County
300 Lytle
Cincinnati, Ohio 45202

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Maud Booth Academy, Hamilton County, Ohio (the Academy), as of June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the Academy implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2005, 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 agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

Betty Montgomery
Auditor of State

June 16, 2005

MAUD BOOTH ACADEMY
HAMILTON COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Unaudited)

The discussion and analysis of the Maud Booth Academy's, Hamilton County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased $99,919 which represents a 58 percent decrease from 2003. This decrease was due to an increase in student enrollment and a decline in private grants and donations.

- Total assets decreased $52,420, which represents a 24 percent decrease from 2003. This was primarily due to a decrease in cash and cash equivalents.

- Liabilities increased $47,499, which represents a 117 percent increase from 2003. Accounts and loan payable increased by $50,988. The increase in payables was primarily due to an increase in loans from Volunteers of America/Ohio River Valley (VOA/ORV). A payable of $62,599 was owed VOA/ORV at the end of the fiscal year. It is anticipated that Maud Booth Academy will receive an additional $200,000 from VOA/ORV in FY 2005.

Using this Financial Report

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

Statement of Net Assets

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

Table 1 provides a summary of the Academy's net assets for fiscal year 2004 and fiscal year 2003:

(Table 1)

Net Assets

	2004	2003
Assets		
Current Assets	$98,000	$123,473
Capital Assets, Net	62,316	89,263
Total Assets	160,316	212,736
Liabilities		
Current Liabilities	87,886	40,387
Total Liabilities	87,886	40,387
Net Assets		
Invested in Capital Assets	62,316	0
Unrestricted	10,114	172,349
Total Net Assets	$72,430	$172,349

Total assets decreased $52,420. This decrease was primarily due to an increase in student enrollment, and a decline in private grants and donations. Equity in pooled cash and cash equivalents decreased by $111,808 from 2003. Capital Assets, net of depreciation decreased by $26,947.

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)

Change in Net Assets

	2004	2003
Operating Revenues:		
Foundation Payments	$437,852	$318,534
Disadvantaged Pupil Impact Aid	117,131	114,835
State Special Education	50,760	29,399
Non-Operating Revenues:		
Private Grants and Donations	55,648	152,809
State and Federal Grants	311,761	271,595
Earnings on Investments	0	79
Total Revenues	973,152	887,251
Operating Expenses		
Salaries	446,294	354,279
Fringe Benefits	117,674	81,623
Purchased Services	356,869	300,599
Materials and Supplies	113,717	88,075
Depreciation	38,517	29,843
Total Expenses	1,073,071	854,419
Income Before Contributions	(99,919)	32,832
Increase in Net Assets	($99,919)	$32,832

There was an increase in revenues of $85,901 and an increase in expenses of $218,652 from 2003. Of the increase in revenues, the foundation payments increased by $119,318 and the Disadvantaged Pupil Impact Aid increased by $2,296. Community Schools receive no support from tax revenues.

The expense for salaries increased by $92,015 and the expense for fringe benefits increased by $36,051 from 2003. This was primarily due to the addition of a Fourth Grade during fiscal year 2004 and the associated increase in staff. In addition, some staff were made regular employees during the fiscal year rather that contract staff from Volunteers of America/Ohio River Valley. Material and supplies expense increased by $25,642 from 2003. Again this was largely due to the addition of another grade and an increase in student enrollment. Depreciation expense increased by $8,674.

Capital Assets

At the end of fiscal year 2004, the Academy had $62,316, invested in furniture, fixtures, equipment, textbooks, and leasehold improvements, which represented a decrease of $26,947 from 2003. The Academy's existing sublease at Anna Louise Inn will expire at the conclusion of FY 2005 and leasehold improvements will be fully depreciated at that time. Table 3 shows fiscal year 2004 and fiscal year 2003:

(Table 3)

Capital Assets at June 30, 2004

(Net of Depreciation)

	2004	2003
Leasehold Improvements	$13,865	$26,584
Furniture, Fixtures, and Equipment	28,037	37,879
Textbooks	20,414	24,800
Totals	$62,316	$89,263

For more information on capital assets see Note 6 to the basic financial statements.

Current Financial Issues

The Academy was formed in 2001. During the 2003-2004 school year, there were approximately 85 students enrolled in the Academy. The Academy receives its finances mostly from state aide. Per pupil aide for fiscal year 2004 amounted to $5,058 per student. The average number of years experience for teachers was 5 years.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Carl S Hennigen, Business Manager at Maud Booth Academy, 300 Lytle Street, Cincinnati, OH or contact Judy Oakman, Chief Financial Officer at Volunteers of America/Ohio River Valley, 1063 Central Avenue, Cincinnati, OH.

MAUD BOOTH ACADEMY
HAMILTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2004

Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,080
Intergovernmental Receivables	81,110
Prepaid Items	10,810
Total Current Assets	98,000
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	62,316
Total Non-Current Assets	62,316
Total Assets	160,316
Liabilities	
Current Liabilities:	
Accounts Payable	$8,239
Accrued Wages and Benefits	14,339
Loan Payable	62,599
Compensated Absences Payable	2,709
Total Current Liabilities	87,886
Total Liabilities	87,886
Net Assets	
Invested in Capital Assets:	62,316
Unrestricted	10,114
Total Net Assets	$72,430

See accompanying notes to the basic financial statements

MAUD BOOTH ACADEMY
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2004

Operating Revenues	
Foundation Payments	$437,852
Disadvantaged Pupil Impact Aid	117,131
State Special Education	50,760
Other Revenues	0
Total Operating Revenues	605,743
Operating Expenses	
Salaries	446,294
Fringe Benefits	117,674
Purchased Services	356,869
Materials and Supplies	113,717
Depreciation	38,517
Total Operating Expenses	1,073,071
Operating Loss	(467,328)
Non-Operating Revenues and Expenses	
Private Grants And Donations	55,648
Federal Grants	285,256
State Grants	26,505
Total Non-Operating Revenues and Expenses	367,409
Change in Net Assets	(99,919)
Net Assets Beginning of Year	172,349
Net Assets End of Year	$72,430

See accompanying notes to the basic financial statements

MAUD BOOTH ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$592,243
Cash Payments to Suppliers for Goods and Services	(433,976)
Cash Payments to Employees for Services	(442,321)
Cash Payments for Employee Benefits	(102,483)
Net Cash Used for Operating Activities	(386,537)
Cash Flows from Noncapital Financing Activities:	
Private Grants and Donations	55,648
Federal and State Subsidies Received	230,651
Net Cash Provided by Noncapital Financing Activities	286,299
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(11,570)
Net Cash Used for Noncapital Financing Activities	(11,570)
Net Increase in Cash and Cash Equivalents	(111,808)
Cash and Cash Equivalents at Beginning of Year	117,888
Cash and Cash Equivalents at End of Year	$6,080

(continued)

MAUD BOOTH ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Reconciliation of Operating Loss to Net	
Cash Used for Operating Activities:	
Operating Loss	($467,328)
Adjustments to Reconcile Operating	
Income to Net Cash Provided by Operating Activities	
Depreciation	38,517
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	1,690
Increase in Prepaid Items	(6,915)
Increase in Accounts Payable	50,988
Decrease in Accrued Wages and Benefits	(6,198)
Increase in Compensated Absences	2,709
Total Adjustments	80,791
Net Cash Used for Operating Activities	($386,537)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Maud Booth Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code, Chapters 3314 and 1702 to address the needs of students in grades Kindergarten through Five. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Maud Booth Academy Community School qualifies as an exempt organization under Section 501(C)(3) of the Internal Revenue Code. The Academy has not filed with the Internal Revenue Service, form 990 for the fiscal years ending June 30, 2003 and 2004. The Academy could be assessed a penalty of $20 per day for each day past the filing date, December 15, 2003 and 2004, for each return by the Internal Revenue Service. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing June 28, 2001. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Six-Member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 2 non-certified and 8 certificated full time teaching personnel who provide services to 85 students.

The Six Member Board of Directors includes three representatives from Volunteers of America/Ohio River Valley (VOA/ORV). VOA/ORV provides certain oversight and management services, including:

1. Assistance with marketing, fundraising, and development activities.

2. Administrative and Financial Staff supervision.

3. Contracted Social Worker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. 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 statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary process for the Academy, requiring the provision of an estimated Academy budget for each year of the period of the contract. The contract also requires the Academy Director to review actual vs. budgeted financial statements on a monthly basis, reconciling significant variances as they occur. The financial statements are also presented to the Board of Directors on a quarterly basis. Should unforeseen circumstances arise, adjustments to the budget will be made with board approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date 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.

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

Leasehold Improvements	1-3 years
Furniture, Fixtures and Equipment	3-7 years
Textbooks	3-7 years

G. Compensated Absences

Full-time Academy employees earn sick/personal leave each year. These employees are allowed to carryover a maximum of fifteen (15) days of unused sick leave to subsequent years. A liability of $2,709 has been recognized for earned but unused sick leave at June 30, 2004.

The Academy does not record a liability for vacation leave benefits because its policy does not address whether the liability is owed to the employee.

H. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

I. Operating Revenues and Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the Academy has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB 34 created new basic financial statements for reporting on the Academy's financial activities and requires the inclusion of the Management Discussion and Analysis section which provides a narrative introduction and overview of the financial statements to enhance the user's ability to interpret the information within the statements.

4. DEPOSITS

At fiscal year end, the carrying amount of the Academy's deposits was $6,080, and the bank balance was $12,627. Of the bank balance, $12,627 was covered by federal depository insurance.

Investments: The Academy had no investments at June 30, 2004, or during the fiscal year.

5. RECEIVABLES

Receivables at June 30, 2004, consisted of $61,500, a portion of the $150,000 Federal Charter School Grant; $6,110, a portion of the $10,830 Federal Title VI-B, Special Education Grant; and $13,500, a portion of the $23,484 overpayment to SERS during FY 2004. All receivables are considered collectible in full.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Business-Type Activity				
Capital Assets Being Depreciated				
Leasehold Improvements	$ 37,781	$ -	$ -	$ 37,781
Furniture, Fixtures, and Equipment	47,191	1,372	-	48,563
Texbooks	34,134	10,199	-	44,333
Total Capital Assets Being Depreciated	119,106	11,571	-	130,677
Less Accumulated Depreciation:				
Leasehold Improvements	11,198	12,718	-	23,916
Furniture, Fixtures, and Equipment	9,312	11,214	-	20,526
Textbooks	9,334	14,585	-	23,919
Total Accumulated Depreciation	29,844	38,517	-	68,361
Total Capital Assets Being Depreciated, Net	$ 89,262	$ (26,946)	$ -	$ 62,316

7. 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.

During fiscal year 2004, the Academy contracted with Utica National Insurance Group for business personal property with an insurance limit of $257,500 and for general liability insurance with $1,000,000 for each occurrence and $2,000,000 aggregate and no deductible. There is a $500 deductible for building and business personal property coverages.

Employer's liability is also covered by Utica National Insurance Group with $1,000,000 for bodily injury by accident and bodily injury by disease with a policy limit of $1,000,000.

There has been no significant change in insurance coverage from last year.

B. Workers' Compensation

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004 and 2003 were $6,502 and $5,366, respectively; 96 percent has been contributed for fiscal year 2004 and 100 percent for fiscal year 2003. $250, representing the unpaid contribution for fiscal year 2004, is recorded as a liability.

B. State Teachers Retirement System of Ohio

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

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.3 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004 and 2003 were $48,367 and $37,478, respectively; 97 percent has been contributed for fiscal year 2004 and 100 percent for fiscal year 2003. $1,214, representing the unpaid contribution is recorded as a liability.

9. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $3,721 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were $268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

9. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of 0.92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at $24,500. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled $4,888.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were $223.4 million and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 50,000 participants currently receiving health care benefits.

10. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Directors. Full time employees are eligible for up to three (3) paid personal days and seven (7) paid sick days per school term year. Full-time employees, who are fired after the start of the school year, are eligible for a pro-rated number of personal/sick days. Sick days not used will be carried to the next school year. A maximum of fifteen (15) sick days may accumulate. Personal days do not accumulate. Upon resignation, full-time employees in good standing will be paid $100/day for unused sick time.

Non-certified employees earn (10) ten to (25) twenty-five days of vacation per year, depending upon length of service. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

B. Insurance Benefits

The Academy provides life and medical/surgical benefits to most employees through Anthem Blue Cross/Blue Shield of Ohio. The Academy also provides dental benefits to most employees through Superior Dental Company. Employees who are regularly scheduled to work (40) forty hours per week are eligible for insurance benefits. Employees are eligible for insurance benefits the first of the month following (30) thirty days of employment.

There were no significant changes to insurance benefits during the fiscal year.

11. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to
enact a school-funding scheme that is thorough and efficient…"

The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

12. 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 Academy. 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, 2004.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2004, no review was completed.

C. 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. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. The effect of this suit, if any, on the Academy is not presently determinable.

13. OPERATING LEASE

The Academy subleases a building from Volunteers of America Ohio River Valley, Inc. A sublease was signed for a term (the "Primary Term") commencing on August 1, 2002 and ending July 1, 2005. The lease payments during the Primary Term from August 1, 2002 through July 31, 2003 are the sum of $99,756 per year payable in equal monthly installments of $8,313. From August 1, 2003 through July 31, 2004 such rent shall be the sum of $102,372 per year payable in equal monthly installments of $8,531. From August 1, 2004 through July 31, 2005 the Rent shall be the sum of $115,500 per year payable in equal monthly installments of $9,625. The Academy recognized an expense of $50,968 for current year building rent.

14. MATERIALS AND SUPPLIES

For the year ended June 30, 2004 materials and supplies expenses were comprised of the following:

Instructional Supplies	$26,356
Food Service	71,905
Office Supplies	2,842
Building Maintenance and Janitorial Supplies	12,614
Total Materials and Supplies	**$113,717**

15. PURCHASED SERVICES

For the year ended June 30, 2004 purchases services expenses were comprised of the following:

Field Trips and Assemblies	$ 6,768
EMIS Coordinator	5,737
Computer Service	1,721
Telephone & Postage	4,252
Temporary Personnel Services	16,863
Instructional Improvement Services	600
Staff Development, Dues and Subscriptions	4,177
Educational Consultant	18,050
Consulting/Auditing	44,237
Legal Services	7,661
Nurse, Psychologist, Therapy Services	38,491
Bus Transportation	17,135
Outside Copying and Printing	1,063
Marketing/Want Ads	729
Administrative Services – VOA/ORV	38,611
Operating Lease – VOA/ORV	102,154
Rent/Lease Parking/Food Equipment – VOA/ORV	12,663
Utilities	8,338
Property and Liability Insurance	10,931
Contract Janitorial and Trash Removal	16,688
Total Purchased Services	**$356,869**

16. RELATED PARTIES

Maud Booth Academy made payments to VOA/ORV during the year for a sub-lease, administrative and financial staff supervision, and a contracted social worker totaling $97,565.

VOA/ORV provided several cash advances during the fiscal year which were subsequently repaid. In addition, a payable of $62,599 was due VOA/ORV at the conclusion of the fiscal year for administrative and financial staff supervision, a contracted social worker, and five months of the sub-lease of space at the Anna Louise Inn.

17. LOAN PAYABLE

During fiscal year 2004, the Academy received financial support in the form of a non-interest bearing loan from the Volunteers of America, Ohio River Valley, Inc. (VOA/ORV) as follows:

Loan Payable	Balance at June 30, 2003	Additions	Deductions	Balance at June 30, 2004
VOA/ORV	$0	$173,599	$111,000	$62,599

There are no written agreements or repayment schedule associated with the loan.

18. SUBSEQUENT EVENTS

As of April 30, 2005 the amount of financial support received by the Academy from VOA/ORV, Inc. in the form of a non-interest bearing loan had increased to $230,575, and the Academy's cash balance was $13,839. On June 13, 2005, the Maud Booth Academy's sponsorship was assigned by the Ohio State Board of Education to the Lucas County Educational Service Center.

19. MATERIAL NONCOMPLIANCE

The Academy did not comply with the provisions of their contract with the Ohio Department of Education requiring the use of pre-numbered, two-part purchase requisitions signed by the requisitioner, and approvals for purchase greater than $5,000 for non-payroll disbursements. Provisions of their contracts also state that capital assets will be tagged and a subsidy ledger will be maintained; the Academy failed to tag capital assets and did not maintain a complete ledger for their capital assets.

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

Maud Booth Academy
Hamilton County
300 Lytle
Cincinnati, Ohio 45202

To the Board of Trustees:

We have audited the basic financial statements of the Maud Booth Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, and have issued our report thereon dated June 16, 2005, wherein we noted that the Academy adopted Governmental Accounting Standards Board statement 34. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 judgment, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-003.

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 timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable condition 2004-002 listed above to be a material weakness. In a separate letter to the Academy's management dated June 16, 2005 we reported other matters involving the internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Academy's management dated June 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

June 16, 2005

MAUD BOOTH ACADEMY
HAMILTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2004

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

FINDING NUMBER 2004-001

Material Noncompliance/Reportable Condition

A required element of a community school contract with the sponsor under Ohio Rev. Code, Section 3314.03(A) (8) is compliance with requirements for a financial audit and maintaining financial records. The Community School Contract, Article III, Section B, states that the following procedures must be in place to provide proper control over non-payroll disbursements:

- Pre numbered two-part purchase requisitions should be completed for all purchases and signed by the requisitioner.
- For items other than fixed assets, the director is authorized to approve purchases totaling up to $1,000.
- All fixed asset purchases and purchases greater than $1,000 but less than $5,000 must be approved by the director and either the board chairman or treasurer.
- The Board is required to approve any purchases over $5,000.

The Academy did not comply with the above requirements. During our audit we found:

- The Academy utilized purchase requisition forms for expenditures; however, they are not pre numbered or two part purchase requisitions.
- The Academy did not utilize purchase requests for twenty-eight percent of the non-payroll expenditures reviewed.
- Of the expenditures reviewed, ten were greater than $5,000 and were not approved by the Board.

We recommend the Academy review its charter agreement and adopt procedures to be in compliance. These control weaknesses could result in errors or misstatements in the financial records, the unauthorized purchases of goods or services, or the misappropriation of Academy assets. Procedures related to the processing of non-payroll disbursements should address the prior authorization of a purchase through the use of a purchase request. The purchase request should be approved and documented through appropriate members of management, and should include appropriate expense account coding.

FINDING NUMBER 2004-002

Material Noncompliance/Material Weakness

The Community Schools Contract Article III, Section B states that proper accounting controls will be established regarding the purchase and disposal of capital assets and the purchase of materials and supplies. Items with a useful life greater than 1 year and costing more than $500 will be classified as capital assets. The accounting controls will address the following areas:

- All capital assets will be tagged identifying the owner as Maud Booth Academy.
- A capital asset subsidiary ledger will be maintained.

FINDING NUMBER 2004-002
(Continued)

The Academy has not developed a Board approved capital asset policy to establish proper accounting controls for capital assets that is approved by the Board. The Academy has not tagged all capital assets and has not maintained accurate subsidy capital asset ledgers. Failure to maintain records or to employ adequate controls over the acquisition and disposal of capital assets could result in misappropriation of assets and misstatements of financial statements.

The Academy did maintain a capital assets spreadsheet; however, the spreadsheet listed items that do not meet the capitalization threshold identified in Article III, Section B of their contract. Items were also included in the spreadsheet that are not considered capital assets in that they were not land or building improvements, easements, buildings, machinery and equipment, and other tangible and intangible assets that are used in operations that have a useful life extending beyond a single reporting period. The spreadsheet also listed groupings of items that may or may not meet the capitalization threshold. Due to the lack of a capital asset policy and detailed invoices for the groupings we were unable to ascertain inclusion of the items as capital assets.

To address the afore mentioned issues, promote adequate safeguards over their capital assets, and to reduce the risk that the Academy's capital assets will continue to be misstated, the Academy should document a capital asset policy that is approved by the Board. The capital asset policy should include:

- Procedures for tagging all assets meeting the Academy's capitalization criteria when received;
- Recording the capital asset tag number;
- The creation of addition and disposal forms to be completed by the Academy and approved by management when assets are acquired or disposed (recording such information as the tag number, a description, the cost, the acquisition date, reference for supporting documentation such as an invoice and proper approval);
- Maintain a detailed capital asset subsidiary ledger with the information noted above; and procedures for performing (e.g. semi-annual) physical inventories. The physical inventories can be performed by submitting a list of all capital assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in the location should be compared to the list provided. Assets no longer used should be disposed, and assets not included on the listing should be added.
- Develop a capital asset policy.

FINDING NUMBER 2004-003

Reportable Condition – Loan Agreement

Loans from the Volunteers of America to the Academy during the June 30, 2004 fiscal year were $173,599 with a balance of $62,599 outstanding at June 30, 2004, and a balance of $216,278 and $230,575 at March 31, 2005 and April 30, 2005 respectively. The loan is not substantiated with documentation; there is no written loan agreement, no terms of repayment, and no stated interest rate. A portion of the loan is for administrative services provided by Volunteers of America personnel for which a contract does not exist. Lack of clear documentation for loan agreements and professional services increases the possibility of loss of Academy resources through unreasonable interest payments, improper payments, and legal fees to resolve misunderstandings.

MAUD BOOTH ACADEMY
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2003-001	Employee sick leave per Community School Contract and Employee's Policies and Procedures Manual did not agree.	Yes	
2003-002; 2003-003	Academy did not comply with Article III, Section B of the Community School Contract for non-payroll disbursements.	No	Not Corrected. Finding is reissued as Finding number 2004-001.
ML-Reco-mmenda-tion #4	Fixed Asset Policy	No	Not Corrected. Reissued as Finding number 2004-002.

Auditor of State
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MAUD BOOTH 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
JULY 12, 2005