GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30,2004

Auditor of State
Betty Montgomery

GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Greater Cincinnati Community Academy
Hamilton County
4781 Hamilton Avenue
Cincinnati, Ohio 45223

To the Board of Directors:

We have audited the accompanying Statement of Net Assets of the Greater Cincinnati Community Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, and the related Statement of Revenues, Expenses and Changes in Net Deficit, and the Statement of Cash Flows for the year then ended. These basic 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.

Except as described in the following paragraph, 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.

The Academy did not provide sufficient documentation supporting the non-payroll expenses. Without this evidential matter, were unable to obtain sufficient information regarding the non-payroll expenses, or to satisfy ourselves regarding the validity of the underlying transaction through other auditing procedures. Non-payroll expenses represent 19.1% of the total operating expenses.

Generally accepted accounting principles require the Academy to include a reconciliation of operating cash flows and operating income. The Academy instead included a reconciliation of operating cash flows to changes in net assets. Also, the cash flow statement does not present fairly cash flows related to operating, capital and related financing, or noncapital financing activities. We were unable to determine the amounts by which these cash flow statements were misstated.

In our opinion, because of the matters described in the preceding paragraph, the basic financial statements do not present fairly the cash flows of Greater Cincinnati Community Academy, Hamilton County, Ohio, for the year ended June 30, 2004. Also in our opinion, except for adjustments that may have been needed had we been able to audit non-payroll expenditures, 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, 2004, and the changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Auditor of State has billed the Academy for audit services provided during fiscal years 2003 and 2004. As of the date of this report, the Academy has an outstanding balance of $19,461.

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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisted 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.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed below, the Academy is experiencing financial difficulties that raise substantial doubt about its ability to continue as a going concern beyond the fiscal year ending June 30, 2006. It has borrowed from officers to meet expenses. As of June 30, 2004 the Academy owes its officers $152,662 and has a checking account balance of $4,802 and a book balance of ($4,778). Management has disclosed no plans in regard to these matters. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

The Academy relocated to Columbus, Ohio and changed its name to the George Washington Carver Preparatory Academy for the fiscal year ending June 30, 2006. For the fiscal year ending June 30, 2006, the Academy overestimated the ADM for the fiscal year ending June 30, 2006 school year and per ODE the Foundation balance remaining at the end of November 2005 is only $73,406. This means that 83% of the Foundation funds have already been distributed to the Academy for Fiscal year ending June 30, 2006 2006. Because State Teachers Retirement Funds and School Employees Retirement System payments are deducted monthly from the Foundation payments, and there is a balance of $248,304 still to pay for the balance of the year, the Academy will need to find new sources of funding. In effect, the Academy owes ODE $174,899 to be able to cover the SERS and STRS for the fiscal year ending June 30, 2006. See footnote 14 for details.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The Federal Awards Expenditures Schedule is 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 basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. The Academy did not present federal food commodity disbursements on their Schedule of Federal Awards Expenditures. In our opinion, expect for the omission of federal food commodity information, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

January 6, 2006

Presented below is a discussion and analysis of Greater Cincinnati Community Academy's (Academy) financial performance for the fiscal year ended June 30, 2004. The purpose of this discussion and analysis is to look at the Academy's financial performance as 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 increased $ 345,172, from a 2003 deficit of $(623,561). This increase occurred even though enrollment averaged 170 fewer students for the year. The enrollment decline was due to continued facility problems which have plagued the Academy since its inception.

- ✓ Total assets decreased $ 222,223, largely as a result of the amortization of the Academy's leasehold improvements. These improvements totaling over $1,000,000 in FY2000 are being amortized over a relatively short period of time, five years. Hence annual depreciation for these assets exceeds $200,000.

- ✓ Total liabilities decreased $ 567,395. The administration of the school is continuing its strategy to eliminate note and debt obligations in preparation of financing a permanent educational facility.

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.

Greater Cincinnati Community Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Statement of Net Assets

These statements were prepared 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.

The following table provides a summary of the Academy's net assets for FY2004 and FY2003.

(Table 1)
Net Assets

		2004		**2003**		**Change**
Assets						
Current Assets	$	23,576	$	4,124	$	19,452
Capital Assets, Net		65,382		307,057		(241,675)
Total Assets		88,958		311,181		(222,223)
Liabilities						
Current Liabilities		291,087		623,883		(332,796)
Non-Current Liabilities		76,260		310,859		(234,599)
Total Liabilities		367,347		934,742		(567,395)
Net Assets						
Invested in Capital Assets, Net of Related Debt		16,754		0		16,754
Unrestricted		(295,143)		(623,561)		328,418
Total Net Assets	$	(278,389)	$	(623,561)	$	345,172

Greater Cincinnati Community Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Presented below is a summary of operating revenues and expenses for FY2004 and FY2003. The analysis explains the change in net assets for the two years presented.

(Table 2)
Change in Net Assets

	2004	2003
Operating Revenues		
Extracurricular and Lunchroom Sales	$ 644	$ 0
Foundation Payments	1,744,703	2,489,257
Disadvantaged Pupil Impact Aid	441,690	433,059
Special Education Aid	168,332	236,224
Other	136,176	52,680
Non-Operating Revenues:		
Federal and State Grants	829,590	847,836
Total Revenues	3,321,135	4,059,056
Operating Expenses		
Salaries	1,661,275	1,717,784
Fringe Benefits	473,526	525,928
Nonpayroll Expenses	564,420	1,122,737
Depreciation	246,390	243,143
Non-Operating Expenses		
Loss on sale of Capital Assets	49,063	0
Total Expenses	2,994,674	3,609,592
Increase in Net Assets	326,461	449,464
Net Assets at Beginning of Year	(604,850)	(1,073,025)
Net Assets at End of Year	$ (278,389)	$ (623,561)

Change in Net Assets

O & B Foundation is a non-profit organization that was determined to be a blended component unit of the Academy in fiscal year 2004. The assets of the O & B Foundation were blended with the Academy's assets in fiscal year 2004, which explains the $18,711 difference between the ending net assets for fiscal year 2003 and the beginning net assets for fiscal year 2004.

Including the addition of the O & B Foundation's assets to the Academy's assets, the net assets increased $ 345,172 during FY2004. This change, although positive was considerably less than the FY2003 increase total of $ 449,464. The decrease of $123,003 between the years was due to an average enrollment decline of 171 students. This caused an 18% decline in total revenue. The enrollment decline was due to continued facility problems which have plagued the Academy since its inception.

The State of Ohio, Department of Education (ODE) sends all community schools Foundation Funds based on a formula that is directly tied to the Average Daily Membership (ADM) of each school. The amount of these funds will vary directly with the number of students enrolled (ADM). Foundation payments accounted for 70% of operating revenues for FY 2004. In FY 2004, the ADM was recorded by ODE at 340 students and Foundation payments by ODE were $1,745,498. In FY 2005, ADM was reported at 283 students and Foundation funds sent by ODE were $1,440,873. In FY 2006, the Academy changed both their location and name, and their ADM was reported at 78 students and their total annual Foundation funds estimated by ODE for the year were $430,124.

Total expenses for the fiscal year ended June 30, 2004 declined 17% to $ 2,994,674. The decline was the result of administration efforts to deal with the decline in enrollment. The goal of their efforts was to preserve the cash liquidity of the organization and continue to reduce debt obligations in anticipation of financing a new and permanent educational facility. The change in net assets, though small, represents the third consecutive year the organization has generated an increase in net assets. Most of this cash flow has been used to reduce the organization's total liabilities by nearly $1,500,000. The net equity position was increased by a similar amount.

Capital Assets

During fiscal year ended June 30, 2004 the Academy invested $51,278 in capital equipment. The majority of this investment was in computers and related hardware for the classrooms.

Contacting the School'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 any questions about this report or need additional information contact Mr. Carl W. Shye Jr., Treasurer at Greater Cincinnati Community Academy, 2283 Sunbury Road, Columbus, OH 43219 or e-mail at Carl@CarlShye.com

GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

Assets		
Current Assets:		
Intergovernmental Receivables	$	23,232
Loan Receivable		70
Due from bank		274
Total Current Assets		23,576
Non-Current Assets		
Capital Assets		
Depreciable Capital Assets, Net		65,382
Total Non-Current Assets		65,382
Total Assets		88,958
Liabilities		
Current Liabilities:		
Cash Overdraft		4,778
Accounts payable		3,563
Payroll taxes		94,513
Line of Credit Payable		15,068
Intergovernmental Payable		63,203
Loans from Officers		109,962
Total Current Liabilities		291,087
Non-Current Liabilities:		
Line of Credit Payable (Overdraft)		33,560
Loans from Officers		42,700
Total Non-Current Liabilities		76,260
Total Liabilities		367,347
Net Deficit		
Invested in Capital Assets, Net of Related Debt		16,754
Unrestricted		(295,143)
Total Net Deficit	$	(278,389)

The 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 NET DEFICIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Operating Revenues		
Extracurricular and Lunchroom Sales	$	644
Foundation Payments		1,744,703
State Special Education		168,332
Disadvantaged Pupil Impact Aid		441,690
Other Revenues		136,176
Total Operating Revenues		2,491,545
Operating Expenses		
Salaries		1,661,275
Fringe Benefits		473,526
Non-Payroll Expenses		564,420
Depreciation		246,390
Total Operating Expenses		2,945,611
Operating Loss		(454,066)
Non-Operating Revenues and Expenses		
Other Federal and State Grants		689,621
Federal and State Meal Subsidies		139,969
Loss on Disposal		(49,063)
Total Non-Operating Revenues and Expenses		780,527
Change in Net **Deficit**		326,461
Net Deficit Beginning of Year		(604,850)
Net Deficit End of Year	$	(278,389)

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

GREATER CINCINNATI COMMUNITY 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 Others	$	826,441
Cash Received from Foundation Payments		1,744,703
Cash Received from Disadvantaged Pupil Impact Aid		441,690
Cash Payments to Suppliers for Goods and Services		(427,295)
Cash Payments to Employees for Services		(1,544,315)
Cash Payments to Employee Benefits		(473,526)
Cash Payments to Others		(560,856)
Net Cash Provided for Operating Activities		6,842
Cash Flows from Noncapital Financing Activities		
Other Non-Operating Revenues		
Federal and State Subsidies Received		(23,302)
Payments on loans payable		(67,282)
Net Cash Used by Noncapital Financing Activities		(90,584)
Cash Flows from Capital and Related Financing Activities:		
Disposal of Capital Acquisitions		90,070
Payments for Capital Acquisitions		(14,956)
Net Cash Provided by Capital and Related Financing Activities		75,114
Net decrease in Cash and Cash Equivalents		(8,628)
Cash and Cash Equivalents at Beginning of Year		3,850
Cash and Cash Equivalents at End of Year	$	(4,778)

(continued)

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

GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30. 2004
(continued)

Reconciliation of the Change in Net Assets to Cash Used for Operating Activities:		
Change in Net Assets	$	345,172
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation		166,562
Donated Commodities Received During Year		
Changes in Assets and Liabilities:		
Decrease in Accounts Payable		(487,177)
Decrease in payroll liabilities		(38,632)
Increase in intergovernmental payables		20,917
Total Adjustments		(338,330)
Net Cash Used for Operating Activities	$	6,842

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

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Greater Cincinnati Community Academy, Hamilton County, Ohio (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. 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, 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 Ohio State Board of Education, the sponsor, by the Greater Cincinnati Community Academy, Inc. The Ohio State Board of Education approved the proposal and entered into a contract with the Board of Trustees of the Academy on June 24, 1999. The contract terminated on June 30, 2004. Beginning July 1, 2004, Buckeye Community Hope Foundation is the Academy's new sponsor.

The Academy operates under the direction of a seven member board directed by the Board President. The Board is responsible for formulating policies regarding fiscal operations and monitoring the expenditure of funds. The Academy's Treasurer 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.

The O & B Foundation is a non-profit organization that was formed to operate and to perform functions of the Academy. The corporation is organized for charitable religious, educational, and scientific purposes. Arthur Congo, H. Marie Congo, and Carl Shye are the Trustees of the Foundation. The O & B Foundation is a blended component unit of the Academy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Greater Cincinnati Community Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis 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. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

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 Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

D. Capital Assets and Depreciation

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 value on 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 Capital Assets are depreciated over the remaining useful lives of the related Capital Assets.

E. 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 from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the Unites States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLES

A. Changes 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 and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

GASB Statement No. 34 creates new basic financial statements for reporting on the Academy's financial activities.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement not disclosures.

B. Change in Reporting Entity

Per GASB Statement No. 14, "The Financial Reporting Entity", O & B Foundation, a non-profit organization, was determined to be a blended component unit of the Academy for fiscal year 2004.

4. CASH AND DEPOSITS

At June 30, 2004, the Academy had a cash overdraft of ($4,778) in the accompanying financial statements. The bank balance of the Academy's deposits was $4,802 of which all was covered through federal depository insurance (FDIC).

5. CAPITAL ASSETS

Capital Asset activity for fiscal year ending June 30, 2004:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Business-Type Activity				
Capital Assets Being Depreciated				
Leasehold Improvements	$996,891	$0	$0	$996,891
Furniture, Fixtures, and Equipment	220,020	51,278	(126,391)	144,907
Total Capital Assets Being Depreciated	1,216,911	51,278	(126,391)	1,141,798
Less Accumulated Depreciation:				
Leasehold Improvements	(764,361)	(199,378)	0	(963,739)
Furniture, Fixtures, and Equipment	(145,494)	(47,011)	79,828	(112,677)
Total Accumulated Depreciation	(909,855)	(246,389)	79,828	(1,076,416)
Total Capital Assets Being Depreciated, Net	$307,056	($195,111)	($46,563)	$65,382

6. 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 2004, the Academy contracted with Assurance Company of America for property and general liability insurance.

Coverages are as follows:

General Aggregate	$2,000,000
Products and Completed Operations Aggregate	$2,000,000
Each Occurrence	1,000,000
Tenants Legal Liability	1,000,000
Medical Expenses-Each Person	10,000
Personal Injurty and Advertising Injury	1,000,000
Abuse or Molestation	300,000
Hired and Non-Owned Automobile Liability	1,000,000

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.

7. OPERATING LEASE

The Academy has a month-to-month lease with Bethlehem Temple Church for 20,000 square feet of building space to be used for educational purposes. The Academy pays $3,000 per month, plus utilities. For the year ended June 30, 2004, the Academy had paid $88,275 for building space plus utilities.

In October of 2000, the Academy entered into a five-year lease for three modular classrooms. The Academy pays $700 per classroom per month plus all applicable taxes and fees. For the year ended June 30, 2004, the Academy had paid $30,928.

8. 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. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by State statute. The Academy's contributions to SERS for the year ended June 30, 2004 and 2003, respectively were $42,818 and $45,631.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to the STRS Ohio, 275 East Board Street, Columbus, Ohio 43215-3771 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% 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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing

DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligation to STRS for the fiscal years ended June 30, 2004 and 2003 were $106,418 and $83,794, respectively.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teacher Retirement System. As of June 30, 2004, the Academy had no employees or members of the governing board who contribute to Social Security.

9. POST EMPLOYMENT 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. All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

9. POST EMPLOYMENT BENEFITS (Continued)

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 funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $11,538 for fiscal year 2004. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS 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 maximum of 75 percent of the premium. 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, 2003, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at $24,500. For the Academy, the amount contributed to fund health care benefits, including surcharge, during the 2004 fiscal year equaled $18,769. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses.

Expenses for health care for fiscal year ended June 20, 2004 were $223,443,805 and the target level was $335.2 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

10. 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 each year. Employees may not carry more than twenty five days of accrued vacation at any one time.

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.

11. DEBT

A summary of debt follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04
2000 Line of Credit (Equipment)	$105,859	$0	$90,791	$15,068
Line of Credit (Overdraft)	33,560	0	0	33,560
Loans from Officers	150,025	217,174	214,537	152,662
	$289,444	$217,174	$305,328	$201,290

Lines of Credit:

During fiscal year 2000, the Academy entered into a line of credit with Firstar Bank (now U.S. Bank) with a limit of $350,000 at an interest rate of 9 percent. The Academy used this line of credit to purchase and lease equipment and pays monthly installments to U.S. Bank. During fiscal year 2003, an extension until June 30, 2004 was granted. The equipment, furniture and textbooks obtained through the agreement serve as collateral.

Also during fiscal year 2000, the Academy entered into another line of credit with U.S. Bank with a limit of $35,000 at an interest rate of 4 percent above the prime rate announced by the Bank. This line of credit was established to add overdraft protection to the Academy's bank account. As of June 30, 2004 the Academy owed $33,560.

Loans from Officers/Employees:

Academy officers/employees and Bethlehem Temple Church made loans to the Academy. The loans were made to cover expenses and cash shortages as the Academy attempted to address its financial problems. During fiscal year 2004, additional loans were made to the Academy amounting to $217,175. As of June 30, 2004, $152,662 was outstanding for these loans. There were no debt agreements related to $109,962 of the outstanding balance and therefore, there are no terms, conditions, collateral or interest rate specified. The Academy therefore assumes that these are current liabilities. The remaining outstanding balance of $42,700 did have debt agreements and are due by June 30, 2007. Debt payment schedules were not established for these loans. A summary of amounts owed to individuals appears in Note 13.

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 are 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.

12. CONTINGENCIES (Continued)

B. Pending Litigation

Janet Perry, a former employee and Board Member, sued the school to force them to repay the money that she loaned them. As of July 2005, the Academy has agreed to pay Janet Perry five monthly payments of $4,300 beginning September 2005 through January 2006, with a final payment of $4,000 in February 2006. As of January 2006, the Academy was in default of this agreement and has not made the payment for December 2005 or January 2006.

13. RELATED PARTIES

As of June 30, 2004, the Academy owes the following amounts to officers and employees for loans made to the Academy to cover cash shortages and expenses:

Officer/Employee	Outstanding Balance
Janet Perry, Director of Teacher Development	$25,500
Dr. Marie Congo, CEO/Developer, and Arthur Congo, husband of Dr. Congo and trustee of O & B Foundation	55,346
Carl Shye, Jr., Treasurer	19,716
Johnnye Willis, Board Member	12,000
Vivian Strickling	30,100
Etta McBurrows	10,000
Total Outstanding Balance	$152,662

The O & B Foundation is a non-profit organization that was formed to operate and to perform functions of the Academy. The corporation is organized for charitable religious, educational, and scientific purposes. Arthur Congo, H. Marie Congo, and Carl Shye are the Trustees of the Foundation. In addition, during fiscal year 2004, the Academy decided to move Arthur Congo, Janet Perry, and Vivian Strickling to the O & B Foundation and hire them as contractors. The O & B Foundation billed the Academy $170,377 for these employees' services. Due to this relationship, it was deemed that the O & B Foundation is a blended component unit of the Academy.

The Academy also has an overdraft protection line of credit with Firstar Bank in the amount of $35,000. This agreement is to prevent overdrafts on the Academy's account. The unpaid balance in this account shall bear an interest rate equal to 4% above the prime rate announced by the bank. This agreement is guaranteed by Carl Shye and H. Marie Congo.

14. SUBSEQUENT EVENT

The Academy moved to Columbus at the end of fiscal year 2005. The Academy reopened in Columbus as a charter school for school year 2005-2006. The new school name is George Washington Carver Preparatory Academy. ODE considers the Carver Academy to be the same legal entity as the GCCA, including using the same tax identification number and the permission to operate as a community/charter school.

14. SUBSEQUENT EVENT (Continued)

The State of Ohio, Department of Education (ODE) sends all community schools Foundation Funds based on a formula that is directly tied to the Average Daily Membership (ADM) of each school. The amount of these funds will vary directly with the number of students enrolled (ADM). Foundation payments accounted for 70% of operating revenues for FY 2004. In FY 2004, the ADM was recorded by ODE at 340 students and Foundation payments per ODE were $1,745,498. In FY 2005, ADM was reported at 283 students and Foundation funds sent by ODE were $1,440,873. In FY 2006, the Academy changed both their location and name, and their ADM was reported at 78 students and their total annual Foundation funds estimated by ODE for the year were $430,124.

The George Washington Carver Preparatory Academy overestimated the ADM for the FY 2006 school year and per ODE the Foundation amounts to be received between December 2005 and June 30, 2006 will be only $73,406. This means that 83% of the Foundation funds have already been distributed to the Academy for FY 2006. Because State Teachers Retirement Funds and School Employees Retirement System payments are deducted monthly from the Foundation payments, and there is a balance of $248,304 still to pay for pension liabilities for the balance of the year, the Academy owes ODE $174,899 to cover excess Foundation funds that have been remitted through November, 2005. Management has not been able to arrange for other funding sources to pay estimated operating costs for the remainder of the 2005 – 2006 school year.

15. STATE SCHOOL FUNDING DECISION

The suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio’s Community (i.e., Charter) school’s 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 on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any on Academy is not presently determinable.

GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education						
Child Nutrition Cluster:						
Food Commodity Distribution	n/a	10.550	$0		$0	
National School Breakfast	05-PU	10.553	49,355		49,355	
National School Lunch Program	LL-P4	10.555	83,896		83,896	
Total U.S. Department of Agriculture			133,251	0	133,251	0
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	127,397		127,397	
Special Education - Preschool Grant	PG-S1	84.173	2,496		2,496	
Total Special Education Cluster			129,893		129,893	
ESEA Title I - Grants to Local Educational Agencies	C1-S1	84.010	411,563		411,563	
Drug Free Schools Grant	DR-S1	84.186	10,388		10,388	
Adult Education-State Grant Program	C2-S1	84.298	8,616		8,616	
Technology Literacy Challenge	TJS1	84.318	10,274		10,274	
Title II Part A	TRS1	84.367	95,294		95,294	
Total U.S. Department of Education			666,028	--	666,028	--
Totals			$799,279	$0	$799,279	$0

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair 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, 2004, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

Auditor of State
Betty Montgomery

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

Greater Cincinnati Community Academy
Hamilton County
4781 Hamilton Avenue
Cincinnati, Ohio 45223

To the Board of Education:

We have audited the financial statements of the business-type activities of Greater Cincinnati Community Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, and have issued our report thereon dated January 6, 2006, wherein we noted the Academy adopted Government Accounting Standards Board Statement 34. We also noted that: the Academy did not provide sufficient documentation supporting non-payroll expenses; the statement of cash flows is not fairly presented; there is doubt that the Academy will continue as a going concern; the Academy relocated to Columbus, Ohio in 2005; and the Academy overstated ADM in 2006. We conducted our audit in accordance with the 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 opinion 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 a reportable condition. 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 2004-008 through 2004-016.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we 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 material weaknesses. We consider reportable conditions 2004-010 through 2004-013 listed above to be material weaknesses. In a separate letter to the Academy's management dated January 6, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2004-001 through 2004-009.

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

Betty Montgomery

Betty Montgomery
Auditor of State

January 6, 2006, except Findings 2004-001 and 2004-002 which are dated February 6, 2006.

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Greater Cincinnati Community Academy
Hamilton County
4781 Hamilton Avenue
Cincinnati, Ohio 45223

To the Board of Education:

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 apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures 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 School'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 apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The Academy's management 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 School's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions.

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

Betty Montgomery

Betty Montgomery
Auditor of State

January 6, 2006

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified
(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 noncompliance 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?**	No
(d)(1)(vii)	**Major Programs (list):**	Title I, CFDA# 84.010 Special Education Cluster, CFDA# 84.027 & 84.173
(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 2004-001

Finding for Recovery-Repaid Under Audit

During fiscal year 2004, the Academy overpaid Carl Shye $458 for an invoice. There was no supporting documentation for this expenditure.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Cod,e Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Mr. Carl Shye, Treasurer, and Assurance Company of America, Precision Portfolio Institutional Program, his insurance and bonding company, jointly and severally, and in favor of Greater Cincinnati Community Academy, in the amount of four hundred fifty-eight dollars ($458). When notified of the overpayment, Mr. Shye reimbursed the Academy for $430 on January 12, 2006, and $12 on Febraury 6, 2006.

FINDING NUMBER 2004-002

Finding for Recovery-Repaid Under Audit

The Academy has a VISA bank card. During fiscal year 2004, there were expenditures of $7,248 made with this bank card that did not have supporting documentation.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Mr. Carl Shye, Treasurer, and Mrs. Marie Congo, Superintendent, and Assurance Company of America, Precision Portfolio Institutional Program, their insurance and bonding company, jointly and severally, and in favor of Greater Cincinnati Community Academy, in the amount of seven thousand two hundred forty-eight dollars ($7,248). When notified of this finding, Mr. Shye reimbursed the Academy for $7,248 on February 6, 2006.

FINDING NUMBER 2004-003

Material Noncompliance

Ohio Rev. Code, Section 3314.08(J), required community school notes issued in anticipation of the receipt of any portion of the payments to be received by the school pursuant to division (D) of this section to mature no later than the end of the fiscal year in which such money is borrowed. (Ohio Revised Code Section 3314.08 (J), among others, was amended by Ohio House Bill 364 of the 124th General Assembly, effective April 8, 2003. This amendment removed the requirement that all debt of a community school issued in anticipation of the receipt of payments mature no later than the end of the fiscal year in which such money was borrowed.)

Contrary to the above, the following debt issues were issued prior to April 8, 2003, and did not mature by June 30, 2003: the $300,000 Firstar Bank Equipment Lease Note was issued on December 28, 1999 and matured on June 30, 2004, the loan from Janet Perry has a balance of $25,500 that remains outstanding as of June 30, 2004, the loan from Vivian Strickling has a balance of $30,100 that remains outstanding as of June 30, 2004, and the $10,000 loan from Etta McBurrows remains outstanding as of June 30, 2004.

FINDING NUMBER 2004-004

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 consistently provide the required reports for fiscal year 2004.

An effective monitoring control system should be implemented by the Academy to assist management in detecting material misstatements in financial or other information.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objective 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.

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

We recommend the Academy implement the monitoring control system in the Financial Plan Section of their contract to reduce the risk of not detecting material misstatements.

FINDING NUMBER 2004-005

Material Noncompliance

Ohio Rev. Code, Section 9.10, states that "facsimile signature" includes, but is not limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photostatic, or mechanical device, but does not authorize the use of a rubber stamp signature by the official or authorized employee referred to in section 9.11 of the Revised Code on the face of any instrument mentioned in such section.

The Treasurer signed all checks, but the director's signature was a rubber stamp signature. Rubber stamp usage results in a lack of control and oversight and could result in fraud.

We recommend that the Academy terminate the use of rubber stamp signatures on all documents.

FINDING NUMBER 2004-006

Material Noncompliance

Ohio Rev. Code, Section 3314.011, states that every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the school, execute a bond in an amount and with surety to be approved by the governing authority of the school, payable to the state, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the school, and a copy thereof, certified by the governing authority, shall be filed with the county auditor. Furthermore, Ohio Admin. Code, Section 117-6-07 requires the fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as described in Ohio Rev. Code, Section 3314.011. The bond amount and surety is to be established by a resolution of the governing authority. The Treasurer was not bonded as required by the Ohio Revised Code and the Ohio Administrative Code.

FINDING NUMBER 2004-007

Material Noncompliance

Ohio Rev. Code, Section 3314.023, states a representative of the sponsor shall meet with the governing authority of the school and shall review the financial records of the school at least once every two months.

During fiscal year 2004, the Academy's sponsor was the Ohio Department of Education (ODE). The financial records of the Academy were not reviewed at least once every two months by a representative of the ODE. All community schools sponsored by ODE are required to file these reports. Due to the poor condition of the records at the Academy, the Academy should discuss and establish frequent monitoring reviews with their sponsor to ensure proper accounting procedures are being followed.

FINDING NUMBER 2004-008

Material Noncompliance/Reportable Condition

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 many invoices or other supporting information for expenditures requested for review upon initial request for records by the Auditor of State. Many of the expenditures reviewed had no related vouchers on file and were attached to plain white paper.

- For nonpayroll expenditures, 8.2% of expenditures tested did not have adequate supporting documentation, totaling $20,855.81.

- 35% of withholdings tested did not have adequate supporting documentation to show that the proper amount was sent to the proper agency. 40% could not be traced to cancelled checks because the Academy did not keep all their canceled checks. Checks were issued to the IRS, City of Cincinnati, Treasurer of Commonwealth of Kentucky and for child support withholdings. No payments, either checks or electronic fund transfers were found that were issued to the State of Ohio, even though the Academy was withholding Ohio taxes from employee paychecks. The amounts of withholdings could not be reconciled to the amounts disbursed.

- Lack of documentation for expenditures increases the possibility of loss of Academy resources through unreasonable payments.

We recommend that the Board obtain and maintain all supporting documentation for all expenditures.

FINDING NUMBER 2004-009

Material Noncompliance/Reportable Condition

Community Schools are subject to both 3314.03(A)(15), which requires an annual school budget, and 5705.391(A) which requires the school to include five-year projections of revenues and expenditures in their submitted spending plan. The 5 year budget submitted for the George Washington Carver Academy for its fiscal year ending June 30, 2006, to the Ohio Department of Education did not contain any carry-over balances from the GCCA, even though the ODE considers the school to be the same legal entity, despite the name and location change. Per the District's Treasurer, Carl Shye, the Carver Academy has been paying liabilities from fiscal year 2005 when the Academy was GCCA during fiscal year 2006.

Not properly including cash balances in the financial statements for its fiscal year ending June 30, 2006, is misleading, since the Academy has a significant unaudited deficit as of June 30, 2005.

We recommend that the Academy and its new sponsor, the Buckeye Community Hope Foundation, monitor the financial information carefully and review proper accounting procedures with knowledgeable personnel.

FINDING NUMBER 2004-010

Material Weakness

We noted the following control weaknesses over capital assets:

- A formal capital asset policy does not exist that establishes procedures to monitor additions and deletions;

- A capital asset accounting system was not maintained that lists capital assets by location, with tag or other identification numbers and other pertinent information;

- Supporting documentation was not maintained for all capital assets.

Failure to employ adequate safeguards over capital assets and to reduce the risk that the Academy's assets may be misstated, we recommend management develop a fixed asset policy that contains detailed procedures to monitor additions, deletions, calculate depreciation, estimate useful lives, tag assets, and maintain supporting documentation for the assets. A capitalization threshold should be included in the policy. Only items which meet the capitalization threshold should be included in the capitalized assets.

The Academy should also develop and implement procedures for performing periodic (at least annual) physical inventories of its capital fixed assets. The physical inventories can be performed by submitting a list a list of all fixed assets recorded to each room and having individuals responsible for that room perform the inventory of all assets in that room. The assets in the room should be compared to the list provided. Assets no longer used should be disposed, and assets not included on the listing should) should be maintained to aid in these physical inventories.

FINDING NUMBER 2004-011

Material Weakness

The Academy did not perform proper reconciliations between the bank balance and the Academy's fund balances. The Academy had withdrawals reported twice on their records, deposits listed on their records but not appearing on their bank statements, and transactions that were listed on their bank statements but not their records. Reconciliations are an effective tool to help management determine the completeness of recorded transactions and that all recorded transactions have been deposited with the financial institution. Transactions should be posted in a timely manner and deposits should be made within twenty-four hours of receipt.

We recommend that the Academy perform reconciliations between the bank balance and fund balances monthly. The reconciled bank account balance (bank balance less outstanding checks plus deposits in transit) should equal the total fund balance. Any variances should be immediately investigated, justified, and adjusted if necessary.

FINDING NUMBER 2004-012

Material Weakness

An effective monitoring control system should be implemented by the Academy to assist management in detecting material misstatements in financial or other information.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objective 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.

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

We recommend the Academy implement the monitoring control system in the Financial Plan Section of their contract to reduce the risk of not detecting material misstatements.

FINDING NUMBER 2004-013

Material Weakness

The Academy did not present federal food commodity disbursements on their Schedule of Federal Awards Expenditures and did not retain related supporting documentation. In fiscal year 2003, federal food commodity disbursements represented 18% of total federal disbursements. Proper supporting documentation should be maintained for all federal disbursements. Failure to maintain appropriate supporting documentation may adversely affect the decisions of management and could result in inaccurate financial reporting. In addition, failure to maintain appropriate supporting documentation could result in a loss of federal funding. Efforts should be made by the Academy to maintain all supporting documentation for all federal funding.

FINDING NUMBER 2004-014

Reportable Condition

Loans from officers and employees to the Academy during the fiscal year amounted $217,174. A total $176,974 of these loans were not substantiated with documentation; there were no written loan agreements, no terms of repayment, and no stated interest rate. In addition, a prior outstanding loan of $10,000 had no documentation. The O & B Foundation also had a loan of $7,000 received from Carl Shye, Jr. that was not substantiated with documentation. 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.

We recommend that the Board provide and approve loan agreements with the officers stipulating repayment terms and interest rates. The Academy should keep documentation for each loan received individually listing the amount received, payments paid on the loan, etc.

FINDING NUMBER 2004-015

Reportable Condition

The Academy did not provide evidence that the O & B Foundation, a blended component unit, is an IRS registered not for profit entity. The Academy should notify any group or individual who made a contribution to the O & B Foundation that they should consult their tax professionals or the IRS.

FINDING NUMBER 2004-016

Reportable Condition

All members of the governing board and officers of a community school are subject to the provisions of the Ohio Ethics Law and related statues, as set forth in Revised Code Chapter 102. and Sections 2921.42 and 2921.43 of the Revised Code.

Dr. Marie Congo, a trustee of the O & B Foundation (blended component unit of the Academy) and Superintendent of the Academy, signed and approved Arthur Congo's (her husband) consultant contract with O & B Foundation. A separate trustee should have signed the contract. This issue will be referred to the Ohio Ethics Commission.

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GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
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	Ohio Rev. Code Section 149.351, unable to locate records.	No	Not Corrected-Reissued as 2004-009
2003-002	Ohio Rev. Code Section 3314.023, failure to file financial records with sponsor.	No	Not Corrected-Reissued as 2004-008
2003-003	Ohio Rev. Code Section 3314.011, bond not executed for Treasurer	No	Not Corrected-Reissued as 2004-007
2003-004	Note Payment Fund not established for line of credit	N/A	Finding No Longer Valid (line of credit was paid off)
2003-005	Monthly reports not submitted to Board	No	Not Corrected-Reissued as 2004-005
2003-006	Ohio Rev. Code Section 3314.10(A)(2), delinquent payments to STRS	Yes	
2003-007	Establish an effective monitoring control system	No	Not Corrected-Reissued as 2004-005
2003-008	Weaknesses in non-payroll system	No	Partially Corrected-Reissued in Management Letter
2003-009	Deficiencies noted in Board minutes	No	Partially Corrected-Reissued in Management Letter

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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
MARCH 21, 2006