GEORGE WASHINGTON CARVER PREPARATORY ACADEMY FRANKLIN COUNTY

(Formerly the Greater Cincinnati Community Academy
Hamilton County)

Audit Report

For the Year Ended June 30, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Directors
George Washington Carver Preparatory Academy
2283 Sunbury Road
Columbus, Ohio 43219

We have reviewed the *Report of Independent Accountants* of the George Washington Carver Preparatory Academy, Franklin County (formerly the Greater Cincinnati Community Academy in Hamilton County), prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The George Washington Carver Preparatory Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 18, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
Audit Report
For the Year Ended June 30, 2005

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Office phone - (216) 575-1630
Certified Public Accountants
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

George Washington Carver Preparatory Academy
Franklin County
2283 Sunbury Rd.
Columbus, Ohio 43219

To the Board of Directors:

We have audited the accompanying basic financial statements of the George Washington Carver Preparatory Academy (the Academy), as of and for the year ended June 30, 2005, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

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, except for the matters described above, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2007 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, grant agreements and other matters for the year ended June 30, 2005. While we did not opine on the internal control over financial reporting and compliance, this 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* and should be read in conjunction with this report in considering the results of our audit.

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, 2007. It has borrowed from officers to meet expenses. As of June 30, 2005, the Academy owes its officers $156,356, owes back income taxes of $210,208 and has a checking account balance of $3,458. Also, the Academy has relocated to Columbus for fiscal year 2006 and has experienced a large decline in enrollment. Management has disclosed certain plans in regard to these matters, which are described in Note 17 to the financial statements. The financial statements do not include any adjustments that might result for the outcome of the uncertainty. Also, see Note 16 for related subsequent event issues.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The Schedule of Federal Awards Expenditures is required by the 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 Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
March 14, 2007

George Washington Carver Preparatory Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Presented below is a discussion and analysis of George Washington Carver Preparatory Academy's financial performance for the fiscal year ended June 30, 2005. The purpose of this discussion and analysis is to look at the School'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 School'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 $ 301,695 from the 2004 balance of $(278,389). This decrease occurred because average enrollment declined by 56 students for the year. The enrollment decline was due to continued facility problems which have plagued the school since its inception.

- ✓ Total assets increased $ 48,858.

- ✓ Total liabilities increased $251,838. The increase was due to increased payroll liabilities and notes payable from officers. 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.

Statement of Net Assets

This statement was 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 School's net assets for FY2005 and FY2004.

(Table 1)
Net Assets

	2005	2004	Change
Assets			
Cash	$ 3,458	$ 23,232	$ (19,774)
Accounts Receivable	18,150	344	17,806
Capital Assets, Net	17,493	65,383	(47,890)
Total Assets	39,101	88,959	(49,858)
Liabilities			
Current Liabilities	532,709	291,087	241,622
Non-Current Liabilities	86,476	76,260	10,216
Total Liabilities	619,185	367,347	251,838
Net Assets			
Invested in Capital Assets Net of Related Debt	17,493	65,383	(47,890)
Unrestricted	(597,577)	(343,772)	(253,805)
Total Net Deficit	$ (580,084)	$ (278,389)	$ (301,695)

George Washington Carver Preparatory Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Presented below is a summary of operating revenues and expenses for FY2005 and FY2004. The analysis explains the change in net assets for the two years presented.

(Table 2)
Change in Net Assets

	2005	2004
Operating Revenues		
Charges for Services		
and Sales	$ 200	$ 644
Foundation Payments	1,411,084	1,744,703
Disadvantaged Pupil Impact		
Aid	305,836	441,690
Special Education Aid	-	168,332
Other	200	136,176
Non-Operating Revenues		
Federal and State Grants	748,163	829,590
Other Non-Operating Revenue	118	-
Total Revenues	2,465,601	3,321,135
Operating Expenses		
Salaries	1,433,788	1,661,275
Fringe Benefits	447,103	473,526
Purchased Services	515,981	403,383
Materials and Supplies	79,749	-
Cost of Sales	232,194	161,037
Depreciation	47,889	246,390
Other Expenses	200	-
Non-Operating Expenses		
Interest	10,392	-
Loss on Sale of Capital Assets	-	49,063
Total Expenses	2,767,296	2,994,674
Increase/(Decrease) in Net Assets	$ (301,695)	$ 326,461

Change in Net Assets

Net assets decreased $301,695 during FY2005. This change was the result of an enrollment decline was due to continued facility problems that have plagued the school since its inception.

Total operating expenses declined 8% to $2,709,015, excluding depreciation. 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.

Capital Assets

During FY2005 the School did not invest in any new capital equipment. See Note 6 to the financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School'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 George Washington Carver Preparatory Academy, 4781A Hamilton Avenue, Cincinnati, OH 45223 or e-mail at Carl@CarlShye.com

George Washington Community Academy
Franklin County, Ohio
Statement of Fund Net Assets
Proprietary Fund
June 30, 2005

		2005
Assets		
Current Assets:		
Cash	$	3,458
Receivables:		
Intergovernmental		18,150
Total Current Assets		21,608
Noncurrent Assets:		
Depreciable Capital Assets, Net		17,493
Total Noncurrent Assets		17,493
Total Assets	$	39,101
Liabilities		
Current Liabilities:		
Accounts Payable	$	194,831
Payroll Taxes		210,208
O & B Foundation Payable		24,230
Loans from Officers		103,440
Total Current Liabilities		532,709
Non-Current Liabilities:		
Overdraft Protection Payable		33,560
Loans from Officers		52,916
Total Non-Current Liabilities		86,476
Total Liabilities	$	619,185
Net Assets		
Invested in Capital Assets, Net of Related Debt		17,493
Unrestricted (Deficit)	$	(597,577)
Total Net Deficit	$	(580,084)

See accompanying notes to the basic financial statements.

George Washington Carver Preparatory Academy
Franklin County, Ohio
Statements of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	2005
Operating Revenues	
Extracurricular and Lunchroom Sales	$ 200
Foundation Payments	1,411,084
Disadvantaged Pupil Impact Aid	305,836
Other Revenues	200
Total Revenues	1,717,320
Operating Expenses	
Salaries	$ 1,433,788
Fringe Benefits	447,103
Purchased Services	515,981
Materials and Supplies	79,749
Cost of Sales - Lunchroom	232,194
Depreciation	47,889
Other	200
Total Operating Expenses	2,756,904
Operating (Loss)	(1,039,584)
Non-Operating Revenues (Expenses)	
State and Federal Grants	$ 627,826
Interest and Fiscal Charges	(10,392)
Federal and State Meal Subsidies	120,337
Other	118
Total Non-Operating Revenues (Expenses)	737,889
Change in Net Assets	(301,695)
Net Assets at Beginning of Year	$ (278,389)
Net Assets (Deficit) at End of Year	$ (580,084)

See accompanying notes to the basic financial statements.

George Washington Carver Preparatory Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

Increase (Decrease) in Cash	2005
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 1,411,084
Cash Received from Customers	200
Cash Received from Disadvantaged Pupil Impact Aid	305,836
State and Federal Grants	632,908
Cash Payments to Suppliers for Goods and Services	(558,432)
Cash Payments to Employees for Services	(1,403,118)
Cash Payments For Employee Benefits	(438,563)
Other Operating Expenses	(200)
Net Cash (Used for) Operating Activities	(50,285)
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies Received	84,963
Payments on Loans Payable/Line of Credit	(44,574)
Interest and Fiscal Charges	(15,068)
Loans Issued	33,200
Net Cash Provided by Noncapital Financing Activities	58,521
Net (Decrease) in Cash and Cash Equivalents	8,236
Cash and Cash Equivalents Beginning of Year	(4,778)
Cash and Cash Equivalents End of Year	$ 3,458
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Change in Net Assets	$ (301,695)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation	47,889
Changes in Assets and Liabilities:	
Intergovernmental Receivable	5,082
Accounts Payable	191,268
Payroll Liabilities	69,518
Line of Credit/Loans/O&B Payables	856
Intergovernmental Payables	(63,203)
Net Cash (Used in) Operating Activities	$ (50,285)

See accompanying notes to the basic financial statements.

1. Description of the Academy and Reporting Entity

George Washington Carver Preparatory Academy (the Academy) is a non-profit §501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in kindergarten through eighth grade. The Academy, which is part of the State's education program, is independent of any Academy 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. 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 has been approved for operation under contract with the Buckeye Community Hope Foundation (Sponsor). This contract renews for additional one-year terms from July 1 to June 30, unless either party has given advance written notice of at least 90 days. This sponsorship contract replaced a prior sponsorship contract with the Ohio Department of Education, effective June 24, 1999. The Academy operates under a self –appointing, seven-member Board of Governors (Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's one instructional/support facilities staffed by 15 non-certified and 27 certified full-time teaching personnel who provide services to 235 students.

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 basic financial statements provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies:

A. Basis of Presentation

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

B. Measurement Focus and 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 Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses 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 utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C. 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 Academy's contract with the Sponsor. The contract between the Academy and the Sponsor, the Buckeye Community Hope Foundation, does not prescribe a budgetary process for the Academy.

D. Cash

Cash received by the Academy is maintained in a demand deposit account.

E. 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 these estimates.

F. 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 values as of the date received. The Academy maintains a capitalization threshold of $1,000. The Academy does not possess any infrastructure and does not capitalize interest costs.

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 expensed.

Depreciation of furniture, fixtures and equipment is computed using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are depreciated using the straight-line method over the remaining term of the lease agreement including the renewal option.

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its Statement of Net Assets relating to expenses, which are due but unpaid as of June 30, 2005, including:

Payments for the employer's share of the retirement contribution, excess receipts of foundation payments. Workers' Compensation and Medicare associated with services rendered during fiscal year 2005 were paid in the subsequent fiscal year.

H. Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section §501(c)(3) of the Internal Revenue Code.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Change in Accounting Principle

For Fiscal Year 2005, the District has Implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures," which establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk, and foreign currency risk. The implementation of GASB 40 did not affect the presentation of the financial statements of the District. The Academy also implemented GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers". The implementation of this statement did not affect the financial statements.

4. Deposits

The Academy does not have a policy addressing custodial credit risk for its deposits. At June 30, 2005, the carrying amount of the Academy's deposits was $3,458 and the bank balance was $3,458, all of which is covered by FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by FDIC.

Investments: The Academy had no investments as of June 30, 2005.

5. Intergovernmental Receivables

Intergovernmental receivables at June 30, 2005 consisted of state and federal and local grants and pension fund reimbursements. All state and federal grants are considered collectible in full due to the stable condition of state programs and the current year guarantee of federal funds.

A summary of the principal items of the State and Federal grants receivable is as follows:

Nutrition Cluster	$ 70
Title I	274
State Teachers Retirement System	17,806
Total	$18,150

6. Capital Assets and Depreciation

A summary of the Academy's capital assets at June 30, 2005 follows:

	Balance 6-30-04	Additions	Deletions	Balance 06/30/2005
Capital Assets, Being Depreciated:				
Furniture, Fixtures and Equipment	$144,907	-	-	$144,907
Leasehold Improvements	996,891	-	-	996,891
Total Capital Assets, Being Depreciated:	1,141,798	-	-	1,141,798
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(112,677)	$(14,737)	-	(127,414)
Leasehold Improvements	(963,739)	(33,152)	-	(996,891)
Total Accumulated Depreciation:	(1,076,416)	(47,889)	-	(1,124,305)
Total Capital Assets, Net	$65,382	$(47,889)	-	$17,493

7. Purchased Services

For the period July 1, 2004 through June 30, 2005, purchased services expenses were payments for services rendered by various vendors as follows:

Professional Services	$217,034
Building Maintenance	264,169
Travel and Meeting Expenses	27,654
Dues and Memberships	7,121
Total	$515,981

8. Risk Management

A. Property and Liability Insurance

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 fiscal year 2005, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a $1,000 deductible and a $1,000,000 limit. There was no reduction in coverage from the prior year. Claims have not exceeded commercial coverage in the past three years.

The Academy has also contracted with a commercial insurance carrier for professional liability insurance with a $150,000 single occurrence limit and no deductible.

B. Workers' Compensation

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

9. Other Employee Benefits

A. Employee Medical, Dental and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 80 percent of the monthly premium and the employee is responsible for the remaining 20 percent. For the fiscal year 2005, the Academy and the employees' premiums varied depending on family size and the ages of those covered.

B. Life Insurance

The Academy provides life insurance to all employees through a private carrier. Coverage in the amount of $15,000 is provided for all certified and non-certified employees.

10. 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 State statute per 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 E. Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current 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 the fiscal year 2005, 10.57 percent of the annual covered salary was the portion was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were $76,198, $22,104 and $9,919 respectively. The Academy was in arrears on its FY 05 contributions at June 30, 2005 and 100 percent for fiscal years 2004 and 2003 were paid. The unpaid contribution is recorded as a liability as of June 30, 2005. See Note 16 for further details.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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

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.

Plan members were required to contribute 10 percent of their annual covered salaries and the Academy was required to contribute 14 percent; 13.0 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004 and 2003 were $111,975, $106,418 and $83,794, respectively. The Academy was in arrears for its FY 05 contributions and 100 percent has been paid for fiscal years 2004 and 2003. See Note 16 for further information.

A retiree of STRS or another public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

11. 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2005 (the latest information available) the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $7,998 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were $254,780,000 and STRS had 115,395 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. Premiums are reduced by 50 percent for those retirees whose household income falls below federal poverty levels.

For the year ended June 30, 2005 (the latest information available) employer contributions to fund health care benefits were 3.43 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 credits. For fiscal year ended June 30, 2005, the minimum pay has been established at $27,400. 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. For the Academy, the amount of covered salary to fund health care expenses, including surcharge, was $12,517.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005 (the latest information available), were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

12. Debt Obligations:

The Academy's short-term obligations during fiscal year 2005 were as follows:

	Balance at 06/30/04	Additions	Reductions	Balance at 06/30/05
Note Payable	$15,068	-	$(15,068)	-
Overdraft Protection	33,560	-	-	$33,560
Director Loans:				
Carl Shye, Jr.	19,717	$33,200	-	52,917
Johnny Willis	12,000	-	(12,000)	-
Marie & Arthur Congo	55,345	-	-	55,345
Janet Perry	25,500	-	(2,500)	23,000
Vivian Strickland	30,100	-	(15,006)	15,094
Etta McBurrows	10,000	-	-	10,000
Total Debt Liabilities	$201,290	$33,200	$(44,574)	$189,916

The note payable was entered into by the Academy with Firstar Bank (now U.S. Bank) for the purchase of equipment and textbooks at an interest rate of 9 percent. The equipment, furniture and textbooks obtained through the agreement served as collateral.

The Academy also has an overdraft protection line of credit with U.S. Bank at an interest rate of 4 percent above 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, 2005, the Academy owed $33,560.

Academy officers and employees 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 2005, $156,356 was outstanding on these loans. The Academy has entered into demand loan agreements with these officials stating that the loans will be paid within two years at an interest rate of six percent. They will be paid with general operating funds as the Academy feels finances permit.

13. Lease Agreements

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 $4,000 per month plus utilities. For the year ended June 30, 2005, the Academy paid $146,515 in lease fees and utilities. This amount includes payments for back rent owed.

In October of 2000, the Academy entered into a five –year lease for three modular classrooms. In fiscal year 2005, the Academy paid $ 700 per month per unit plus utilities.

14. Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2005.

B. Litigation

A lawsuit 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. 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 effect of this suit, if any, on the Academy is not presently determinable.

15. 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 its future State funding and on its financial operations.

16. Subsequent Event

The Academy moved to Columbus, Ohio at the end of fiscal year 2005. The Academy reopened in Columbus as a charter school for school year 2005-2006. The Academy's previous name was the Greater Cincinnati Community Academy. The Ohio Department of Education considers the 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.

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 57% of operating revenues for FY 2005. In FY 2005, ADM was reported at 283 students and Foundation funds sent by ODE were $1,411,084. 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 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 were 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 Fund and the School Employees Retirement Fund payments are deducted monthly from the Foundation payments, the pension funds owed the Academy $58,456 in excess pension payments at May 2007. The Academy has paid all excess Foundation receipts back to ODE as of May 2007.

The Academy owed various taxing authorities payments for unpaid income taxes. As of May 2007, these taxes amounted to $455,785. Also, the Academy owes its officers $253,151 as of May 2007.

17. Management's Plan Regarding Accumulated Deficit

The Academy has been experiencing financial related difficulties the past several years and has accumulated a deficit of $(580,084) for the year ended June 30, 2005. The deficit has been the result of a lack of adequate facilities in Cincinnati, declining enrollment and resulting decrease in state foundation payments and the costs of moving the Academy to Columbus. Management plans to monitor and control expenses as they attempt to eliminate the operating deficit. Enrollment has steadily increased, as has the state foundation payments. Management intends to pay the back income taxes first, then focus on the loans to the officers.

18. Related Parties

As of June 30, 2005, the Academy owes several officers and employees of the Academy for loans made to the Academy to cover cash shortages and expenses. See Note 12 for the details of the loans.

The O & B Foundation was a non-profit organization that was formed to operate and perform functions of the Academy. In prior years, it was considered a blended component unit of the Academy. During fiscal year 2005, the O & B Foundation ceased operation and was no longer the operator of the Academy. Arthur and Marie Congo were the officers of the O & B Foundation and in that capacity had loaned money to the Academy.

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

19. Legal Compliance

- The Academy was not in compliance with Ohio Revised Code Section 5705.41(D) regarding certifying the availability of funds.

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2005

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Agriculture				
Passed Through the Ohio Department of Education				
Nutrition Cluster:				
Food Distribution	N/A	10.550	$ 8,130	$ 8,130
National School Breakfast Program	05-PU	10.553	68,507	68,507
National School Lunch Program	LL-P5	10.555	104,078	104,078
Total Nutrition Cluster			180,715	180,715
Total U.S. Department of Agriculture			180,715	180,715
U.S. Department of Education				
Pass through Ohio Department of Education				
Special Education Cluster:				
Preschool Disbilities	PGS1-2005	84.173	2,757	2,757
Title VI-B	6B-SF-2005	84.027	132,347	132,347
Total Special Education Cluster			135,104	135,104
Title I	C1-SK-2004	84.010	18,000	18,000
Title I	C1-S1-2005	84.010	270,864	270,864
Title I	C1-SK-2005	84.011	50,000	50,000
Total Title I			338,864	338,864
Title II-A Improving Teacher Quality	TR-S1	84.367	80,640	80,640
Title II-D Technology	TR-S1	84.318	7,170	7,170
Tille V Innovative Education	C2-S1	84.298	1,555	1,555
Safe and Drug Free Program	DR-S1	84.186	7,840	7,840
Total U.S. Department of Education			571,173	571,173
Total Federal Expenditures			$ 751,888	$ 751,888

See accompanying Notes to the Schedule of Federal Awards Expenditures

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the Academy had no commodities in inventory.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

George Washington Carver Preparatory Academy
Franklin County
2283 Sunbury Rd.
Columbus, Ohio 43219

To The Board of Directors:

We have audited the financial statements of the George Washington Carver Preparatory Academy, Franklin County (the Academy) as and for the year ended June 30, 2005, and have issued our report thereon dated March 14, 2007, wherein we noted the statement of cash flows is not fairly presented and that there is doubt that the Academy will continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-003 to 2005-008.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all 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. However, of the reportable conditions described above, we consider items 2005-003 to 2005-007 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated March 14, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards,* which are disclosed in the accompanying schedule of findings as items 2005-001 to 2005-004.

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

Charles E. Harris & Associates, Inc.
March 14, 2007

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Office phone - (216) 575-1630
Fax - (216) 436-2411

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

George Washington Carver Preparatory Academy
Franklin County
2283 Sunbury Road
Columbus, Ohio 43219

To the Board of Directors:

Compliance

We have audited the compliance of the George Washington Carver Preparatory Academy, Franklin County, Ohio, (the Academy) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

Charles E. Harris & Associates, Inc.
March 14, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY
June 30, 2005

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 non-compliance at the financial statement level (GAGAS)?*	Yes
(d)(1)(iv)	*Were there any material internal control weakness conditions reported for major federal programs?*	No
(d)(1)(iv)	*Were there any other reportable internal control weakness conditions reported for major federal programs?*	No
(d)(1)(v)	*Type of Major Programs' Compliance Opinion*	Unqualified
(d)(1)(vi)	*Are there any reportable findings under Section .510*	No
(d)(1)(vii)	*Major Programs:*	Nutrition Cluster CFDA 10.550,10.553, and 10.555 Title I CFDA 84.010
(d)(1)(viii)	*Dollar Threshold: Type A\B Programs*	Type A: > $300,000 Type B: all others
(d)(1)(ix)	*Low Risk Auditee?*	No

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

FINDING NUMBER 2005-001

Material Noncompliance

Ohio Rev. Code, Section 3314.08(J), required community school notes issued in anticipation of 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 House Bill 364 of the 124th General Assembly, effective April 8, 2003, amended Ohio Revised Code Section 3314.08 (J), among others. 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 Firststar Bank Equipment Lease Note was issued on December 28, 1999 and matured on June 30, 2005; and, the loan from Janet Perry has a balance of $23,000 that remains outstanding as of June 30, 2005.

Management Response:

The Academy will issue debt in accordance with Ohio Revised Code provisions in future.

FINDING NUMBER 2005-002

Material Noncompliance

Ohio Rev. Code, Section 9.10, states that a "facsimile signature" includes, but is not limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photo static, 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 recommended that the Academy terminate the use of rubber stamp signatures on all documents.

Management Response:

The Academy will comply with this requirement immediately.

FINDING NUMBER 2005-003

Material Noncompliance and Material Weakness

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Academy can authorize the drawing of a warrant for the payment of the amount due. The Academy has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

   Amounts of less that $3,000 may be paid by the fiscal officer without a resolution or upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Academy.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Academy may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

FINDING NUMBER 2005-003 (Continued)

Material Noncompliance and Material Weakness – (continued)

The Academy did not properly certify the availability of funds for its disbursements transactions in fiscal year 2005. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Academy's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Academy money. The Academy should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

Management Response:

The Academy will adopt the recommendation regarding purchase orders. Their procedure will be to present an annual budget to the Board for review and approval. This budget will identify all contracts anticipated to be in force for the budgetary period. If the Board approves both the budget and the recommended contracts, blanket purchase orders and "then and now" certificates will be issued.

FINDING NUMBER 2005-004

Material Noncompliance and Material Weakness

Per *Ohio Administrative Code* Section 117-2-02, all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of the operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

We noted the Academy was not using a receipt ledger.

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

FINDING NUMBER 2005-004 – (continued)

Material Noncompliance and Material Weakness - (continued)

We recommend the Academy to maintain a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger. In addition, pre-numbered receipts should be issued for all revenue, with a copy of the receipt attached to any document received pertaining to the revenue and an initial of the authorized officer on the actual receipt as a sign that the amount on the receipt agrees to the actual amount of money received by the Academy. The receipts would then be filed in numerical order.

Management Response:

The Academy will develop a receipts ledger.

FINDING NUMBER 2005-005

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;

- 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, 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.

FINDING NUMBER 2005-005 – (continued)

Material Weakness – (continued)

The Academy should also develop and implement procedures for performing periodic (at least every three years) physical inventories of its capital fixed assets. The physical inventories can be performed by submitting 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 be maintained to aid in these physical inventories.

Management Response:

The Academy has a fixed asset policy that reads:

"The Academy will capitalize all assets purchased with an individual or aggregate value of $1,000 or greater. These assets will be capitalized and depreciated over a useful life of five (5) years for depreciation purposes. Depreciation will be included in the financial statements of the Academy in accordance with GAAP and USAS requirements."

The Academy will adopt the recommendations concerning physical inventories and supporting documentation.

FINDING NUMBER 2005-006

Material Weakness

During the testing of the non-payroll disbursements, it was noted that the Academy had a total of seventeen checks, numbered #13479 through #13495 that were not used without being properly voided. Lack of care over voiding checks increases the possibility of loss of Academy resources through unauthorized payments.

We recommend the Academy properly void checks by mutilating the check in some manner and removing the signature lines. The word "void" should also be written across the face of the check.

Management Response:

The Academy will implement this recommendation.

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

FINDING NUMBER 2005-007

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 control 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 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 reconciliation.

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.

Management Response:

As part of its scheduled board meetings, financial statements are presented and reviewed by the participants. This review includes the elements described above, as well as a review of actual expenditures (check register listing), budget vs. actual spending and accounts payable. Copies of these documents are provided to the Board secretary for inclusion in the minutes.

In the future, the Academy will review minutes to ensure that the minutes accurately reflect the activities conducted in the meetings, with particular attention to the review of financial matters. Additionally, as stated in finding 2005-002, we will establish dual signatures on all checks.

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

FINDING NUMBER 2005-008

Reportable Condition

The Academy has a loan with Vivian Strickling with a balance of $15,094 and with Janet Perry with a balance of $23,000 at June 30, 2005. None of loans were substantiated with documentation such as promissory notes or other agreements. 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 the Academy keep complete documentation properly for each loan received individually listing the amount received, payments paid on the loan, etc.

Management Response:

The Academy will comply with this requirement.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMD CIRCULAR A-133 §. 315 (b)
June 30, 2005

Funding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2004-001	Ohio Rev. Code Section 117.28 Finding for Recovery- No supporting documentation for expenditure	Yes	Finding No Longer Valid
2004-002	Ohio Rev. Code Section 117.28 Finding for Recovery – No supporting documentation for credit card purchase	Yes	Finding No Longer Valid
2004-003	Ohio Rev. Code Section 3314.08(J), notes issued in anticipation of revenue	No	Not Corrected-Reissued as 2005-001
2004-004	ODE contract requiting monthly financial reports to Board of Trustees	Yes	Finding No Longer Valid
2004-005	Ohio Rev Code Section 9.10	No	Not Corrected-Reissued as 2005-002
2004-006	Ohio Rev. Code Section 3314.11 Treasurer must post surety bond	Yes	Finding No Longer Valid
2004-007	Ohio Rev. Code Section 3314.023- reprehensive of sponsor meet with governing board every two months	Yes	Finding No Longer Valid
2004-008	Ohio Rev. Code Section 149.39- Records not being maintained or destroyed	Yes	Finding No Longer Valid
2004-009	Ohio Rev. Code Section 3314.03(A)(15) annual budget requires five year projection to be made	Yes	Finding No Longer Valid

SCHEDULE OF PRIOR AUDIT FINDINGS – (continued)
June 30, 2005

Funding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2004-10	No capital assets policy in place	No	Not Corrected-Re-issued as 2005-005
2004-011	Proper treasurer reconciliation not being performed	Yes	Finding No Longer Valid
2004-012	Effective monitoring control system not in place to assist in detecting misstatements	No	Not Corrected-Reissued as 2005-007
2004-013	Federal Commodities not being listed on Schedule of Federal Awards Expenditures	Yes	Finding No Longer Valid
2004-014	Loans from officers and employees were not substantiated with proper documentation	No	Not Corrected-Reissued as 2005-008
2004-015	Academy could not provide evidence that O & B Foundation was a non-profit entity	Yes	Finding No Longer Valid
2004-016	Ohio Ethics Commission referral regarding O & B Foundation	Yes	Finding No Longer Valid

Mary Taylor, CPA
Auditor of State

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 28, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us