



**Auditor of State
Betty Montgomery**

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Great Western Academy
Franklin County
310 N. Wilson Road
Columbus, Ohio 43204

We have audited the accompanying Balance Sheet of the Great Western Academy, Franklin County, Ohio, (the School) as of June 30, 2003, and the related Statement of Revenues, Expenses and Changes in Retained Earnings /Accumulated Deficit and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Great Western Academy, Franklin County, Ohio, as of June 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As further discussed in Note 18, for the year ended June 30, 2003, the School had an operating loss in the amount of \$497,737 and an accumulated deficit of \$93,716. In addition, as of the report date there are unpaid current invoices in the amount of \$84,935 and unpaid accounts payable of \$35,000. Also, as of the report date, there is a net loss of \$60,527 for current fiscal year 2004. These conditions raise substantial doubt about the School's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2004, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2004

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2003**

Assets

Current Assets

Cash and Investments	\$ 9,222
Total Current Assets	<u>9,222</u>

Non-Current Assets

Fixed assets (Net of Accumulated Depreciation)	<u>8,260</u>
Total Assets	<u><u>\$ 17,482</u></u>

Liabilities and Equity

Current Liabilities

Accounts Payable	\$ 85,081
Accrued Wages & Benefits	15,937
State Pension Payable	1,240
Capital Lease Payable	<u>2,633</u>
Total Current Liabilities	<u>104,891</u>

Long-Term Liabilities

Capital lease payable	<u>6,307</u>
Total Liabilities	<u>111,198</u>

Equity

Accumulated Deficit	<u>(93,716)</u>
Total Equity	<u>(93,716)</u>
Total Liabilities & Equity	<u><u>\$ 17,482</u></u>

The accompanying Notes are an integral part of the Financial Statements

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/ACCUMULATED DEFICIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Operating Revenues	
Sales	\$ 2,698
Foundation Payments	127,590
Other Operating Revenues	<u>3,002</u>
Total Operating Revenues	<u>133,290</u>
Operating Expenses	
Salaries & Wages	168,629
Fringe Benefits	46,179
Purchased Services	369,806
Materials & Supplies	41,600
Depreciation	2,065
Miscellaneous	<u>2,748</u>
Total Operating Expenses	<u>631,027</u>
Operating Loss	(497,737)
Non-Operating Revenues and (Expenses)	
State subsidies	101,901
Federal subsidies	302,929
Interest Expense	<u>(809)</u>
Total Non-Operating Revenues and (Expenses)	<u>404,021</u>
Net Loss	(93,716)
Retained Earnings at July 1, 2002	-
Accumulated Deficit at June 30, 2003	<u>\$ (93,716)</u>

The accompanying Notes are an integral part of the Financial Statements

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Cash Flows from Operating Activities

Cash received from sales	\$ 2,698
Cash received from Foundation Payments	127,590
Cash received from Other Operating Revenues	3,002
Cash payments for personal services	(197,631)
Cash payments for contract services	(284,771)
Cash payments for supplies and materials	(41,554)
Cash payments for Miscellaneous	(2,748)
Net Cash Used for Operating Activities	<u>(393,414)</u>

Cash Flows from Noncapital Financing Activities

Cash from Federal & State Subsidies	<u>404,830</u>
Net Cash Provided from Noncapital Financing Activities	<u>404,830</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(1,385)
Payments for Interest on Capital Acquisitions	(809)
Net Cash Used for Capital and Related Financing Activities	<u>(2,194)</u>

Net increase in cash and cash equivalents :	9,222
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ 9,222</u>

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities**

Operating Loss	(497,737)
----------------	-----------

**Adjustments to Reconcile Operating Loss to Net
Cash Used for Operating Activities**

Depreciation	2,065
Changes in Assets and Liabilities:	
Accounts Payable	85,081
Accrued Wages and Benefits	15,937
State Pension Payable	1,240
Total Adjustments	<u>104,323</u>

Net cash used for operating activities	<u>\$ (393,414)</u>
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Non Cash Investing, Capital, and Financing Activities

During fiscal year year 2003 , the Great Western Academy entered into a capital lease agreement for equipment for \$ 10,325.

The accompanying Notes are an integral part of the Financial Statements

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**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Great Western Academy (the School) formerly know as Academy 2000, was established as a non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through second grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2002. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five member Board of Trustees. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees control the School's instructional/support facility staffed by three non-certified and two certified full time teaching personnel who provide services to thirty-two students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 School also applies Financial Accounting Standards Board 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to track and report the School's financial activities. Enterprise accounting is used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost (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

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 and decreases 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 used for reporting purposes. Revenues are recognized when earned and expenses are recognizes when they are incurred.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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

D. Equity in Pooled Cash

All monies received by the School are pooled and deposited in a central bank account. All monies of the School are maintained in this account or temporarily used to purchase short-term investments.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the dates received. The School maintains a capitalized threshold of one thousand dollars. The School does not possess any infrastructure. Improvements are capitalized, the cost 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.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful live of the related fixed assets.

<u>Assets</u>	<u>Years</u>
Furniture	10
Computer and Copier equipment	5

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues (Foundation Payments) in the accounting period in which all eligibility requirements are 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 use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. During FY 2003, the School was awarded \$300,000 to offset start-up costs of the School. Revenue received from this program is included as non-operating revenue on the accompanying financial statements.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

Amounts awarded under the above programs for the 2003 school year totaled \$532,420.

G. Compensated Absences

Vacation benefits are accrued as a liability if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees.

The School does not have a liability for sick benefits upon termination, therefore no liability is recognized.

H. Estimates

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

3. EQUITY IN POOLED CASH

The School's cash is maintained in one bank account.

Deposits: The carrying value of the School's deposits totaled \$9,222 and the bank balance totaled \$15,975 all of which was covered by federal depository insurance.

4. FIXED ASSETS

A summary of the School's fixed assets at June 30, 2003, follows:

Copier Equipment	\$10,325
Less: Accumulated Depreciation	<u>(2,065)</u>
Net Fixed Assets	<u>\$ 8,260</u>

5. RISK MANAGEMENT

A. Property and Liability

The School 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 2003, the School contracted with Lent Insurance Agency for property and general liability insurance. There is a \$ 250 deductible with a 100%, all risk policy.

Professional liability is protected by the State Auto Insurance Company with a \$250,000 single occurrence limit.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. RISK MANAGEMENT (continued)

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor determined by the State.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined 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 School Employees Retirement System, 300 E Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the year ending June 30, 2003 was \$10,133. The School has contributed \$9,215 for fiscal year 2003, and the remainder has been recorded as a payable to State Pension Systems.

B. State Teachers Retirement System

The School 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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.

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

The School's required contribution for pension obligations for the fiscal year ending June 30, 2003 was \$8,024. The School has contributed \$7,702 and the remainder has been recorded as a payable to State Pension Systems.

7. POSTEMPLOYMENT BENEFITS

The School 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 partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations 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.

Pursuant to the Revised Code (RC.), the State Teachers Retirement Board has discretionary 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 monthly premiums. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of the covered payroll. For fiscal year June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$617.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 Billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

For fiscal year 2003, employer contributions to fund health care benefits were 5.83 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 fiscal year 2003, the minimum pay had been established at \$14,500. For the School, the amount to fund health care benefits, including surcharge, was \$14,200 for the fiscal year ended June 30, 2003.

Health Care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits as \$335.2 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000 (the latest information available).

8. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from the School's staff handbook and State laws. Employees receive vacation time in accordance with their individual contracts. The amount of vacation time and the timing of the vacation are dictated in each contract. Generally, only full-time employees are provided with vacation leave. The maximum number of vacation days an employee can accumulate is 40. All employees earn sick leave of approximately of 5 days per contract period. Sick leave may be accumulated up to 20 days.

B. Insurance Benefits

The School has contracted with a private carrier to provide employee health, life and dental insurance. The School paid 100 percent of the monthly premium for fiscal year 2003. Total insurance costs for the year totaled \$7,459.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. CAPITALIZED LEASES

During fiscal year 2003, the School entered into a lease agreement with the Xerox Corporation for a copier located at the School. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of future minimum lease payments as of the inception date. The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	
2004	\$ 2,633
2005	2,633
2006	2,633
2007	2,633
2008	<u>438</u>
Total minimum lease payments	10,970
Less: interest	<u>2,030</u>
Present Value of minimum lease payments	<u>\$ 8,940</u>

10. OTHER LEASES

During fiscal year 2003, the School entered into a lease agreement to rent space with the Chemineer Building Project, an Ohio limited partnership. The term of the lease commenced July 1, 2003 through June 30, 2003. The lease was terminated by mutual agreement effective June 30, 2003. The monthly rent was \$7,600 on or before the first day of each month. During the year, the School paid \$68,400, with the remainder being a payable at year end. Effective July 1, 2004 the School entered into a lease agreement to rent space with the Casto Company. The term of the lease commenced July 1, 2004 through June 30, 2009. Payments are \$1,789 per month.

11. STATE SCHOOL FUNDING DECISION

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

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

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

12. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2003.

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

12. CONTINGENCIES (Continued)

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. The effect of this suit, if any, on the School is not presently determinable.

13. MANAGEMENT CONSULTING CONTRACT

The School entered into a five-year contract on July 1, 2002 with Achievement Education Services, Inc. for management consulting services. Under the contract, Achievement Education Services is required to provide the following services:

- Superintendent Services
- Staff Development and Recruiting
- Program Development
- Budgeting, Financial Reporting and Audit Preparation
- Building and Grounds Planning and Maintenance
- Curriculum Research and Development
- Marketing and Publicity
- Testing Program and Analysis
- Grant Preparation and Management
- Board Recruitment and Management
- Personnel Services

For the services listed above, the School is required to pay a fee to Achievement Education Services, Inc. The fee is equal to 12% of the total per pupil allowance received from the State of Ohio and in addition, 12% of state and/or federal start-up grant funds received by the School for the creation and operation of its school. The fee shall be paid in monthly draws. Such monthly draws shall be subject to annual reconciliation by the School in the same proportion as the per pupil allowance paid by the State of Ohio. Said reconciliation will occur within thirty days of the end of the School's fiscal year end. The total expense paid under this contract for fiscal year 2003 totaled \$28,210. At year-end, \$35,510 has been recorded as a payable.

14. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2003, purchased service expenses were payments for services rendered by various vendors as follows:

Professional, Legal, and Technical Services	\$115,817
Property Services	171,558
Travel Mileage/Meeting Expense	20,610
Communications	49,970
Utilities	31
Contracted Craft or Trade Services	<u>11,820</u>
Total Purchased Services	\$369,806

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

15. FULL-TIME EQUIVALENCY REVIEWS

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student data to the State, upon which foundation funding is calculated. The conclusions of this review could result in the state funding being adjusted. The review resulted in the discovery of an overpayment to the School in the amount of \$2,820. This amount is deemed immaterial and not reflected as an Intergovernmental Payable on the balance sheet.

16. TAX EXEMPT STATUS

The School has been approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization as of June 30, 2003. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

17. SUBSEQUENT EVENT

On July 1, 2003 the Academy 2000 moved its location to Columbus, Ohio and changed its name to the Great Western Academy.

18. Deficit Balance

The School had an operating loss (\$497,737) and an accumulated deficit of (\$93,716) at the end of fiscal year 2003. Projected revenues for fiscal year 2004 do not indicate these fiscal year difficulties will be eliminated during fiscal year 2004. In addition, as of the report date, there are unpaid current invoices in the amount of \$84,935 and unpaid accounts payable of \$35,000. Also, as of the report date, there is a net loss of \$60,527 for current fiscal year 2004. As of the report date, the School has not established a formal plan to address these issues.

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**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	LLP4-2003	10.555	\$2,929	\$2,929
			2,929	2,929
Total U.S. Department of Agriculture - Nutrition			2,929	2,929
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Startup Funds – Charter Schools	CHS1-2002	84.282	150,000	150,000
	CHS1-2003	84.282	150,000	150,000
			300,000	300,000
Total U.S. Department of Education			300,000	300,000
Totals Federal Awards Receipts and Expenditures			\$302,929	\$302,929

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

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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



**Auditor of State
Betty Montgomery**

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

Board of Trustees
Great Western Academy
Franklin County
310 N. Wilson Road
Columbus, Ohio 43204

We have audited the financial statements of the Great Western Academy, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 11, 2004, wherein we noted matters which raise substantial doubt about the School's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of School in a separate letter dated February 11, 2004.

Great Western Academy
Franklin County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Trustees, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2004



**Auditor of State
Betty Montgomery**

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

Board of Trustees
Great Western Academy
Franklin County
310 N. Wilson Road
Columbus, Ohio 43204

Compliance

We have audited the compliance of the Great Western Academy, Franklin County, Ohio, (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School'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 School's compliance with those requirements.

In our opinion the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require disclosure in this report that we have reported to the management of the School in a separate letter dated February 11, 2004.

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www.auditor.state.oh.us

Internal Control Over Compliance

The management of the School 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 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 program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Trustees, 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.



Betty Montgomery
Auditor of State

February 11, 2004

**GREAT WESTERN ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Startup Grant – Charter Schools CFDA # 84.282
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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GREAT WESTERN 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
APRIL 27, 2004**