GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors (Board):

We have audited the accompanying Balance Sheet of the Greater Cincinnati Community Academy, Inc., Hamilton County, Ohio (the School), as of and for the year ended June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the 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 Greater Cincinnati Community Academy, Inc., Hamilton County, Ohio as of June 30, 2000, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2001, 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.

Jim Petro
Auditor of State

June 19, 2001

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GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY

BALANCE SHEET
AS OF JUNE 30, 2000

Assets	
Current Assets	
Cash and Cash Equivalents	$ 665,881
Noncurrent Assets	
Fixed Assets	855,050
Total Assets	$ 1,520,931
Liabilities and Fund Equity	
Current Liabilities	
Accounts Payable	227,673
Leases Payable	7,000
Capital Lease Payable	316,139
Accrued Wages	115,444
Intergovernmental Payable	186,572
State Foundation Payable	554,905
Total Current Liabilities	1,407,733
Fund Equity	
Retained Earnings	113,198
Total Liabilities & Fund Equity	$ 1,520,931

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

GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2000

Operating Revenues	
Foundation Payments	$ 2,894,986
Disadvantaged Pupil Impact Aid	412,491
Other Operating Revenue	33,353
Total Operating Revenues	3,340,830
Operating Expenses	
Salaries	1,550,883
Fringe Benefits	626,731
Purchased Services	681,935
Materials & Supplies	387,524
Depreciation	196,727
Other Operating Expenses	14,881
Total Operating Expenses	3,458,681
Operating Loss	(117,851)
Non-Operating Revenues	
Interest Expense	(11,345)
Donation	100,000
Federal Grants	142,094
Total Non-Operating Revenues	230,749
Net Income	112,898
Retained Earnings at Beginning of Year	300
Retained Earnings at End of Year	$ 113,198

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

GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 3,862,382
Cash Payments to Suppliers for Goods and Services	(849,666)
Cash Payments to Employees for Services	(1,435,440)
Cash Payments to Employee Benefits	(440,160)
Other Operating Revenue	33,353
Net Cash Provided by Operating Activities	1,170,469
Cash Flows from Noncapital Financing Activities	
Donations	100,000
Federal Grants Received	142,094
Net Cash provided by Noncapital Financing Activities	242,094
Cash Flows from Capital and Related Financing Activities	
Debt Proceeds	350,000
Capital Lease Principal Payment	(33,861)
Capital Lease Interest Payment	(11,344)
Payments for Capital Acquisition	(1,051,777)
Net Cash Used for Capital and Related Financing Activities	(746,982)
Cash Flows from Investing Activities	
Cash received from Interest Revenue	0
Net Cash Provided from Investing Activities	0
Net Increase in Cash and Cash Equivalents	665,581
Cash and Cash Equivalents at Beginning of Year	300
Cash and Cash Equivalents at End of Year	$ 665,881
Reconciliation of Operating Loss to Net Cash Provided Used for Operating Activities	
Operating Loss	$ (117,851)
Adjustments to Reconcile Operating Loss to Net Cash Provided Used for Operating Activities	
Depreciation	196,727
Changes in Assets and Liabilities	
Increase (Decrease) in Accounts Payable - Foundation	554,905
Increase (Decrease) in Accounts Payable	227,673
Increase (Decrease) in Lease Payable	7,000
Increase (Decrease) in Intergovernmental Payable	186,571
Increase (Decease) in Accrued Wages	115,443
Total Adjustments	1,288,319
Net Cash Provided by Operating Activities	$ 1,170,468

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

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basics of Accounting

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

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

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

C. Budgetary

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

D. Cash and Cash Equivalents

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

The school had no investments during the fiscal year.

E. Fixed Assets and Depreciation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education program.

Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

3. CASH AND DEPOSITS

At June 30, 2000 the school had a cash balance of $665,881 which is presented as a cash and cash equivalents in the accompanying financial statements. The bank balance of the School's deposits was $731,925 of which $114,750 was covered through federal depository insurance (FDIC) for two separate accounts, and $617,175 is uninsured and uncollateralized.

4. FIXED ASSETS

A summary of the Enterprise Fund fixed assets at June 30, 2000:

Leasehold improvements	$ 890,099
Furniture & Equipment	161,678
Subtotal	1,051,777
Less: Accumulated Depreciation	196,727
Net Fixed Assets	$ 855,050

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 the fiscal year 2000, the School contracted with A.E. Olverson Agency for property and general liability insurance. There is a $1,000 deductible with a one hundred percent blanket, all risk policy.

B. Employee Medical, Dental, and Vision Benefits

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

5. RISK MANAGEMENT (Continued)

C. Workers' Compensation

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

6. OPERATING LEASE

The School has a five-year lease with Bethlehem Temple Church for 20,000 square feet of building space to be used for educational purposes, and a five-year lease with Lockland School District for the administrative building. In fiscal year 2000, the School paid $3,000 per month, plus utilities. The school has an option for four consecutive five-year lease renewals with Bethlehem Temple Church and an option for one five-year lease renewal with the Lockland School District.

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

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute 14 percent; for fiscal year 2000, 5.5 percent was the portion to fund pension obligations. The contribution rates are established by SERS's Retirement Board within the rates allowed by State statute. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2000, was $136,260 and 2.01 percent has been contributed for fiscal year 2000. $133,525 representing the unpaid contributions for fiscal year 2000, is included in "Intergovernmental Payable."

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, survivors, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. This report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligation to STRS for the fiscal year ended June 30, 2000 was $150,459; 91 percent has been contributed for fiscal year 2000. $11,923 representing the unpaid contributions for fiscal year 2000, is included in "Intergovernmental Payable."

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teacher Retirement System. As of June 30, 2000, the School has no employees or members of the governing board who contribute to Social Security.

8. 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 reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled to $13,083 and 94.8 percent has been contributed for 2000 fiscal year. $1,160 represents the unpaid contribution for fiscal year 2000 and is recorded in "Intergovernmental Payable."

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2000, the minimum pay has been established at $12,400.

8. POSTEMPLOYMENT BENEFITS (Continued)

For the School, the amount to fund health care benefits, including surcharge, totaled $9,265 during the 2000 fiscal year.

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

The portion of the School's contributions that were used to fund postemployment benefits was $12,577 and 2.01 percent has been contributed for fiscal year 2000. $12,325 represents the unpaid contribution for fiscal year 2000 and is recorded in "Intergovernmental Payable."

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

C. Employee Medical, Dental, and Vision Benefits

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

10. CAPITAL LEASE

During fiscal year 2000, the Treasurer entered into a lease - purchase agreement with Firstar Bank for $350,000 at an interest rate of 9 percent. As of June 30, 2000, $316,139 of the agreement remained outstanding. The agreement allowed the school to purchase or lease equipment and make payments to the bank in monthly installments. The computer equipment obtained through the agreement serves as collateral.

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

10. CAPITAL LEASE (Continued)

Ending June 30	Principal	Interest	Total
2001	$147,443	$33,373	$180,816
2002	168,696	12,120	180,816
	$316,139	$45,493	$361,632

The agreement is not evidenced by notes and was not paid prior to the 2000 fiscal year end based on the current payment schedule.

11. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's school foundation program which provides significant amount of monetary support the School. During the fiscal year ended June 30, 2000, the School District received $3,862,219 of school foundation support for its operations.

Since the Supreme court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raided under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "…the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "…major areas warrant further attention, study, and development by the General Assembly…", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could became a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2000.

B. Pending Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. The effect of this suit, if any, on the Greater Cincinnati Community Academy, Inc. is not presently determinable.

13. RELATED PARTIES

During fiscal year 2000, the Greater Cincinnati Community Academy, Inc. purchased property and liability insurance from a board member who is an insurance agent. Expenses related to this transaction totaled $11,647.

14. PURCHASED SERVICES

Purchased services were composed of the following:

Utilities	$ 54,532
Building Leases	191,804
Legal, Accounting & Architecture	84,271
Student Testing and Transportation	67,855
Food Service	51,699
Insurance	11,647
Board Fees	25,182
Communications	36,096
Candy sales	9,600
Advertising	21,936
Computer Services	19,790
Reimbursements	7,459
Special Events	70,275
Staff Training	29,789
	$681,935

15. SUBSEQUENT EVENTS

The School has recognized on its balance sheet a "State Foundation Payable" for the amount that is estimated to be paid by the School to the Ohio Department of Education (ODE) based on the difference in the amount the School actually received versus the amount earned through student full-time equivalent (FTE) enrollment as determined at the end of the year. A payable reflects that the School was funded on a higher estimated enrollment figure throughout the year than what the FTE enrollment figure was calculated to be at year end.

16. COMPLIANCE

The Academy did not retain certain public records as required by Ohio law.

The Academy did not make required payments to SERS, STRS and the Bureau of Workers Compensation by the dates required by Ohio law.

The Academy did not maintain on file certain teachers' certificates required by Ohio law.

The Academy did not submit monthly financial reports to the Board as required by the Academy's Fiscal Plan.

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

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

To the Board of Directors (Board):

We have audited the accompanying financial statements of the Greater Cincinnati Community Academy, Inc., Hamilton County, Ohio, (the School)as of and for the year ended June 30, 2000, and have issued our report thereon dated June 19, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10431-001 through 2000-10431-003 and 2000-10431-005. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School in a separate letter dated June 19, 2001.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in accompanying schedule of findings as items 2000-10431-004 and 2000-10431-006 through 2000-10431-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable condition that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-10431-006 through 2000-10431-007 to be material weaknesses.

In addition, we did note other matters involving the internal control over Greater Cincinnati Community Academy, Inc., Hamilton County, financial reporting that do not require inclusion in this report, that we have reported to the management of the School in a separate letter dated June 19, 2001.

This report is intended for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 19, 2001

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

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

FINDING NUMBER 2000-10431-001

Material Noncompliance

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

The Academy could not locate 75% of the foundation sheets or remittance stubs for the receipts, 10% of the cancelled checks, and 17% of the invoices requested for review. Also, 8% of the expenditures reviewed had no related vouchers on file, 18% of expenditures tested had plain white paper documentation with only the name of the vendor and amount, and no deposit slips were provided for review. However, monthly bank statements were used to confirm actual amounts of receipts and expenditures and we obtained bank confirmations to assist in determining year end balances.

FINDING NUMBER 2000-10431-002

Material Noncompliance

Ohio Rev. Code, Section 3314.10(A)(2), states in part that employment with a community school is subject to either Ohio Revised Code Chapter 3307 or 3309. Ohio Rev. Code, Sections 3307.01, 3307.012, 3307.381, 3307.51, 3307.53, and 3307.56 - {State Teachers Retirement System (STRS)}, and Ohio Rev. Code, Sections 3309.23, 3309.341, 3309.47 and 3309.49 - {School Employees Retirement System (SERS)}, require community schools to enroll their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions. The Academy did not make timely payments to STRS and SERS during fiscal year 2000, owing $145,850 and $14,498 to SERS and STRS respectively at June 30, 2000 for both the employee and employer share. In addition, the Academy did not maintain employee retirement authorization forms to document that all employees were enrolled in the appropriate retirement system. The Academy did make payment to SERS and STRS in February of 2001 for the past due amount, however, they should exercise due care in monitoring fiscal liabilities to provide for more timely processing.

FINDING NUMBER 2000-10431-003

Material Noncompliance

Ohio Rev. Code, Section 3314.03(A)(10), "requires all community school classroom teachers to be licensed in accordance with Rev. Code, Sections 3319.22 to 3319.31", except that a community school may engage noncertificated persons to teach up to twelve hours per week pursuant to section 3319.301 of the Rev. Code. A permit must be issued by the Ohio Dept. of Education to these "noncertificated" persons in order to teach. 3 of the of the 26 teachers reviewed did not have current teaching certificates in their personnel files. The Academy should obtain current teaching certificates prior to entering into a contract with individual teachers and allowing them to provide instruction to the children enrolled at the school.

FINDING NUMBER 2000-10431-004

Reportable Condition

Auditor of State Bulletin 2000-05 indicated that lease agreements are not considered to be a loan to be paid back within one year, however, lease agreements that extend beyond the current fiscal year should contain a fiscal funding or cancellation clause. Such a clause permits the community school to terminate the agreement on an annual basis if the funds are not appropriated to make the required payments. The School has an equipment lease purchase agreement with Firstar Bank for the purchase and lease of equipment, but it does not contain the required fiscal funding/cancellation clause. This agreement, with a balance of $316,139 at June 30, 2000, is scheduled to be repaid in monthly payments in 2002.

We recommend the School review all lease agreements that extend beyond the end of the fiscal year in which they are issued to make sure they contain a fiscal funding or cancellation clause.

FINDING NUMBER 2000-10431-005

Material Noncompliance

The Academy did not comply with the Financial Plan Section, Exhibit 2 of their contract with the Ohio Department of Education (ODE). The contract states that the treasurer is required to submit monthly financial reports to the Academy's Board for review. The treasurer did not prepare any of the required reports for fiscal year 2000. We recommend that the treasurer provide the monthly financial reports and the Board note in the minutes of their meetings that the reports were received and reviewed.

FINDING NUMBER 2000-10431-006

Reportable Condition/Material Weakness

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

FINDING NUMBER 2000-10431-007

Reportable Condition/Material Weakness

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

- Invoices, requisitions, purchase orders, copy of the checks, and any other pertinent information were not filed together.
- There was no indication that expenditures were approved prior to purchases being made.
- Checks were issued out of their numeric sequence.
- The checks were not signed by two authorized signatories.
- Checks were not reviewed prior to being mailed which resulted in instances where checks were written in excess of the amount listed on the invoices creating overpayments to vendors.
- The check register contained voided checks and the related, voided amounts in the total amount of expenditures.
- Numerous instances were noted where payroll and non-payroll checks were filed together.
- 6% of the voucher files did not contain detailed supporting documentation for the expenditure.
- Some of the purchases for large items included sales tax.

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

- Prior authorization of a purchase should be obtained, through the use of a purchase order which documents approval by the appropriate members of management and includes appropriate coding of expenditures.
- All appropriate supporting documentation (requisitions, original invoices, verification of receipt of purchase and agreement to invoice) prior to authorization for payment should be accumulated and filed. In addition, separate files should be kept for payroll expenditures to provide assistance in maintaining complete files for all expenditures.
- The matching of invoice with purchase order and a copy of the check stub should be kept together to assist in affirming all supporting documentation has been reviewed.
- A review of the check used to pay for a purchase and the supporting documentation should be done to verify that the payee, amount, address, etc. on the check and invoice agree.
- A review of the Academy's check register should be performed monthly to verify that all voided checks are not included in the total and to determine the reason for checks issued out of sequence.
- The approval process for purchases should include the use of tax exempt forms to assist in providing assurance that sales tax is not paid on items purchased for the Academy.

FINDING NUMBER 2000-10431-008

Reportable Condition

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

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

FINDING NUMBER 2000-10431-009

Reportable Condition

The Academy did not maintain complete documentation for fund raisers/special events reviewed, nor has the Academy developed and adopted policies and procedures related to fund raisers/special events. The sponsors and/or employees of the Academy should maintain a copy of all documents for each fund raiser/special event, including: purpose clause, a form designed to account for the projected and actual income for each project including the name, amount ordered, cost per unit, proposed sales price, name of sponsor, number and price of purchase(s), amount returned and amount deposited/collected, receipt ledger, disbursement ledger, copies of purchase orders and invoices, reconciliation, and receipt records which should contain: when, from whom and the amount of money received.

Failure to maintain these records inhibits the ability to determine the completeness and accuracy of the information submitted or to accurately determine the amount of profits and expenditures for these events and could increase the possibility for misappropriation of receipts and invalid expenditures. The Academy should require all sponsors and/or employees to maintain and submit these records to assist in determining the amount of outstanding money remaining to be collected and allow for a more complete record of the event's fiscal activity.

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GREATER CINCINNATI COMMUNITY ACADEMY, INC.

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2001