



**Auditor of State
Betty Montgomery**

MAUD BOOTH ACADEMY
HAMILTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Maud Booth Academy
Hamilton County
300 Lytle Street
Cincinnati, Ohio 45202

To the Members of the Board:

We have audited the accompanying balance sheet of the Maud Booth Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the year then ended as listed in the table of contents. 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 Maud Booth Academy, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 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.

The accompanying federal awards expenditures schedule 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 2, 2004

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MAUD BOOTH ACADEMY
HAMILTON COUNTY

BALANCE SHEET
AS OF JUNE 30, 2003

Assets

Current Assets:

Cash and Cash Equivalents	\$117,888
Prepaid Items	3,895
Accounts Receivable	<u>1,690</u>

Total Current Assets 123,473

Noncurrent Assets

Fixed Assets (Net of accumulated depreciation)	<u>89,263</u>
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Total Noncurrent Assets 89,263

Total Assets \$212,736

Liabilities and Fund Equity

Current Liabilities:

Account Payable	\$12,404
Contract Payable	7,446
Accrued Wages and Benefits	<u>20,537</u>

Total Liabilities 40,387

Fund Equity:

Retained Earnings: Unreserved	<u>172,349</u>
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Total Fund Equity 172,349

Total Liabilities and Fund Equity \$212,736

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

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

Operating Revenues:	
Foundation Payments	\$318,534
Disadvantaged Pupil Impact Aid	114,835
State Special Education	<u>29,399</u>
Total Operating Revenues	<u>462,768</u>
Operating Expenses:	
Salaries	354,279
Fringe Benefits	81,623
Purchased Services	300,599
Materials and Supplies	88,075
Depreciation	<u>29,843</u>
Total Operating Expenses	<u>854,419</u>
Operating Loss	<u>(391,651)</u>
Non-Operating Revenues	
Private Grants and Donations	152,809
Federal Grants	203,867
State Grants	67,728
Earnings on Investments	<u>79</u>
Total Non-Operating Revenues	<u>424,483</u>
Net Income	32,832
Retained Earnings at Beginning of Year	<u>139,517</u>
Retained Earnings at End of Year	<u><u>\$172,349</u></u>

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

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$462,768
Cash Payments to Employees for Services & their benefits	(430,406)
Cash Payments to Suppliers for Goods and Services	(359,369)
	(327,007)

Net Cash Used by Operating Activities

(327,007)

Cash Flows from Noncapital Financing Activities:

Private Grants and Donations	152,809
State and Federal Grants Received	271,596
	424,405

Net Cash Provided by Noncapital Financing Activities

424,405

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(119,106)
	(119,106)

Net Cash Used for Capital and Related Financing Activities

(119,106)

Cash Flows from Investing Activities

Cash Received from Interest Revenue	79
	79

Net Cash Provided from Investing Activities

79

Net Decrease in Cash and Cash Equivalents

(21,629)

Cash and Cash Equivalents at Beginning of Year

139,517

Cash and Cash Equivalents at End of Year

\$117,888

**Reconciliation of Operating Loss to Net Cash
Used by Operating Activities:**

Operating Loss	(\$391,651)
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**Adjustments To Reconcile Operating Loss to Net Cash
Used by Operating Activities:**

Depreciation	29,843
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(1,690)
(Increase) in Prepaid Items	(3,895)
Increase in Accounts Payable	19,849
Increase in Accrued Wages	20,537
	64,644

Total Adjustments

64,644

Net Cash Used by Operating Activities

(\$327,007)

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

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**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Maud Booth Academy, Hamilton County, Ohio (the School), is a State governmental nonprofit corporation established pursuant to Ohio Revised Code, Chapters 3314 and 1702 for the purpose of establishing a new start-up school in the Cincinnati City School District. The School, which is part of the State's education program, is independent of any school district and nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The School was approved for operation under contract with the Ohio State Board of Education (the Sponsor) for a period of five years commencing July 1, 2001. 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 seven member Board of Trustees of which membership of the Board shall be from a range of backgrounds and experience representing professionals, community leaders and parents. Three (3) members shall come from the community, three (3) from the Volunteers of America, Inc. and one (1) shall be the parent of a student at the school. 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 controls the School's one instructional/support facility staffed by 2 non-certificated instructional aides and 8 certificated full time teaching personnel who provided services to a minimum of 68 students during fiscal year 2003.

2. RELATED ORGANIZATION

Board members of the Maud Booth Academy Community School are also Board members of the Volunteers of America, Inc. The School contracts with Volunteers of America, Inc. for various management services, including:

1. Utilization of operations and policy manuals, forms and management procedures.
2. Assistance in identifying and applying for grants
3. Financial management
4. Administrative staff supervision
5. Human Resources assistance with hiring and benefits management and
6. Such other management consultant services as are from time to time mutually agreed upon.

The Volunteers of America paid \$12,469 in start-up expenses for the School. This amount is reflected as Donations-Volunteers of America in Note 4.

The School paid Volunteers of America \$49,640 of the total contract amount of \$57,086 for administrative services.

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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

The School uses enterprise accounting to report its financial activities. 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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and 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 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 School's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process for the School, requiring the provision of an estimated school budget for each year of the period of the contract. In addition, the Academy's Director will review actual vs. budgeted financial statements on a monthly basis reconciling significant variances as they occur and financial statements will be presented to the Board of Directors on a quarterly basis. Should unforeseen circumstances arise, adjustments to the budget will be made with board approval.

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions or 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.

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. Textbooks, computers, and equipment are depreciated using the straight-line method over the estimated useful lives. The estimated useful life for equipment is 3 to 7 years, and the estimated useful life for computers and textbooks is 3 years. The school building is sub-leased, and therefore is not listed as property owned.

E. 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 all eligibility requirements have been met.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure 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. Under this program, during the year ending June 30, 2003 the school received \$150,000 to offset startup costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

The School received \$150,000 in February 2002 for fiscal year 2003 (see note 4).

4. RETAINED EARNINGS

At July 1, 2001, the School had a beginning balance of \$28,894. This comprised of the following:

State Start-Up Grant	\$50,000
Donation-Volunteers of America	786
Interest Revenue	220
Expenses from September 2000 to June 2001	<u>(22,112)</u>
Balance at June 30, 2001	<u>\$28,894</u>

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

4. RETAINED EARNINGS (Continued)

At July 1, 2002, the School had a beginning balance of \$139,517. This is comprised of the following:

Retained Earnings as of 7/01	\$28,894
Federal Charter Grant	150,000
Donation-Volunteers of America	11,683
Interest Revenue and Donations	13,320
Expenses	<u>(64,380)</u>
Balance at June 30, 2002	<u>\$139,517</u>

5. CASH AND DEPOSITS

At June 30, 2003, the carrying amount of the Schools' deposits was \$117,888. The bank balance of the School's deposits was \$133,728 of which \$100,000 is covered through federal depository insurance (FDIC). The remaining \$33,728 was not insured or collateralized.

6. FIXED ASSETS

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

Furniture, Equipment and Software	\$47,191
Building Improvements	37,781
Textbooks	<u>34,134</u>
Total Fixed Assets	119,106
Less: Accumulated Depreciation	<u>(29,843)</u>
Net Fixed Assets	<u>\$89,263</u>

7. 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 Utica National Insurance Group for business personal property with an insurance limit of \$250,000 and general liability insurance with \$1,000,000 for each occurrence and \$2,000,000 aggregate and no deductible. There is a \$500 deductible for building and business personal property coverages.

Employers liability is also protected by Utica National Insurance Group with \$1,000,000 for bodily injury by accident for each accident and bodily injury by disease with a policy limit of \$1,000,000.

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 School rate is 14 percent 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 a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2003 was \$5,366; 98 percent has been contributed for fiscal year 2003. \$86, representing the unpaid contribution for fiscal year 2003, is recorded as a liability.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

8. DEFINED BENEFIT PENSION PLANS (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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations for the fiscal year ended June 30, 2003 was \$37,478; 96 percent has been contributed for fiscal year 2003. \$1,451, representing the unpaid contribution for fiscal year 2003, is recorded as a liability.

9. POST EMPLOYMENT 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 Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$2,883.

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

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

9. POST EMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 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 has been established at \$14,500. For the School, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$3,829.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits was \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining sick leave components are derived from negotiated agreements and State laws. Each employee has five paid sick days which are available to be used each school year for illness. Days not used during the year will be carried over to the next school year. A maximum of fifteen (15) sick days may be accumulated. Sick leave benefits are not accrued as a liability at year-end.

B. Employee Medical, Dental, and Vision Benefits

School employees who are regularly scheduled to work forty (40) hours per week are eligible for health benefits (health, dental, and life.) Employees are eligible for health benefits after thirty (30) days employment on the first day of the next insurance billing cycle.

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

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

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 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, 2003.

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 18th, 2003. The effect of this suit, if any, on the Maud Booth Academy Community School is not presently determinable.

C. State Funding

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 enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2003, as a result of such a review.

13. OPERATING LEASE

The School subleases a building from Volunteers of America Ohio River Valley, Inc. A sublease was signed for a term (the "Primary Term") commencing on August 1, 2002 and ending July 1, 2005. The lease payments during the Primary Term from August 1, 2002 through July 31, 2003 are the sum of \$99,756 per year payable in equal monthly installments of \$8,313. From August 1, 2003 through July 31, 2004 such Rent shall be the sum of \$102,372 per year payable in equal monthly installments of \$8,531. From August 1, 2004 through July 31, 2005 the Rent shall be the sum of \$115,500 per year payable in equal monthly installments of \$9,625. The School recognized an expense of \$91,443 for current year building rent.

14. FEDERAL EXEMPT STATUS

The School has obtained their 501(c)(3) tax exempt status. 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.

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

15. PURCHASED SERVICES

For the year ended June 30, 2003, purchased service expenses were comprised of the following:

Field Trips and Assemblies	\$ 4,918
Staff Development, Dues and Subscriptions	5,663
EMIS Coordinator	11,166
Educational Consultant	24,049
Computer Service	4,250
Consulting – Other	2,680
Legal Services	7,276
Nurse, Psychologist, Speech Therapist	18,744
Transportation	2,298
Telephone and Postage	3,631
Outside Copying and Printing	1,413
Marketing	157
Administrative and Financial Services	57,143
Instructional Improvement Services	8,172
Staff Services	5,179
Rent	101,738
Utilities	6,590
Insurance – Property and Liability	10,533
Janitorial and Trash Removal Services	20,073
Building and Equipment Maintenance and Supplies	<u>4,926</u>
Total Purchased Services	<u>\$300,599</u>

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**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	\$10,466	\$10,466
National School Lunch Program	LL-P4	10.555	<u>25,063</u>	<u>25,063</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>35,529</u>	<u>35,529</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	6,944	6,944
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	10,370	10,370
Drug-Free Schools Grant	DR-S1	84.186	167	167
Innovative Educational Program Strategies	C2-S1	84.298	48	48
Charter School Grant	CH-S1	84.282	150,000	267,630
Technology Literacy	TJ-S1	84.318	284	284
Improving Teacher Quality State Grants (Title II Part A)	TR-S1	84.367	525	525
Total Department of Education			<u>168,338</u>	<u>285,968</u>
Totals			<u><u>\$203,867</u></u>	<u><u>\$321,497</u></u>

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

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Maud Booth Academy
Hamilton County
300 Lytle Street
Cincinnati, Ohio 45202

To the Members of the Board:

We have audited the financial statements of Maud Booth Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 2, 2004. 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 2003-001 and 2003-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated March 2, 2004.

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 judgment, 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 condition is described in the accompanying schedule of findings as item 2003-002.

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 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, the reportable condition described above is not considered to be a material weakness.

We also noted other matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the School in a separate letter dated March 2, 2004.

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

March 2, 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

Maud Booth Academy
Hamilton County
300 Lytle Street
Cincinnati, Ohio 45202

To the Members of the Board:

Compliance

We have audited the compliance of Maud Booth Academy, Hamilton 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, Maud Booth Academy 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.

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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the School's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2002-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. Our consideration of the internal control over compliance 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, we believe the reportable condition described above is not a material weakness.

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

March 2, 2004

**MAUD BOOTH ACADEMY
HAMILTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Charter School Grant (84.282)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Material Noncompliance – Sick Leave

Maud Booth Academy Community School Contract between the School and Ohio Dept. of Education, Article III, Section B, states that each employee of the School has five paid sick days which are available to be used each school year for illness.

The Employee's Policies and Procedures Manual and the Employee Contracts state that full time employees are eligible for up to ten paid personal/sick days per school term year. Employees were allowed to accrue and use up to ten sick days for the year. The current procedure, policy manual and employee contracts are in conflict with the Community School Contract signed with the Ohio Dept. of Education.

We recommend the School consult with legal counsel to review the Community School Contract, employee contracts and policy manual and take steps to assure compliance with the Community School Contract.

FINDING NUMBER 2003-002

Reportable Condition/Material Noncompliance

We consider Finding Number 2003-003 to also be a Reportable Condition/Material Noncompliance in relation to the financial statements taken as a whole. See the Finding detail below.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-003
CFDA Title and Number	84.282 Charter School Grant
Federal Award Year	2003
Pass-Through Agency	Ohio Department of Education

FINDING NUMBER 2003-003

Reportable Condition – Non Payroll Expenditures

Maud Booth Academy Community School Contract between the school and Ohio Dept. of Education, Article III, Section B, states that the following procedures must be in place to provide proper control over non-payroll disbursements:

- Pre numbered two-part purchase requisitions should be completed for all purchases and signed by the requisitioner.
- The Director is authorized to approve purchases up to \$1,000.
- The Board is required to approve any purchase over \$5,000.

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

- The School utilized purchase requisitions forms for expenditures, however, they are not pre-numbered or two part purchase requisitions.
- The School did not utilize purchase requests for sixteen non-payroll expenditures.
- Six purchase requests were signed for approval at the wrong authorization level.

Additionally, 38% of non-payroll expenditures tested did not have management’s approval of invoices when the goods or services had been received.

We recommend the School review its charter agreement and adopt procedures to be in compliance. These control weaknesses could result in errors or misstatements in the financial records, the unauthorized purchase of goods or services, or the misappropriation of School assets. The processing of non-payroll disbursements should include:

- Prior authorization of a purchase through the use of a purchase requests which should be approved and documented through appropriate members of management and which should include appropriate coding for the expenditures.
- Management should perform a detailed review of the invoice and supporting documentation indicating descriptions of the goods/services received and documentation on the invoice that the goods/services were received.

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**Auditor of State
Betty Montgomery**

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MAUD BOOTH ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 23, 2004**