



**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

ScholARTS Preparatory and Career Center for Children  
Franklin County  
867 Mount Vernon Avenue  
Columbus, Ohio 43203

To the Board of Directors:

We have audited the accompanying basic financial statements of the ScholARTS Preparatory and Career Center for Children, Franklin County, Ohio (the School), as of and for the year ended June 30, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 ScholARTS Preparatory and Career Center for Children, Franklin County, Ohio, as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School is experiencing certain financial difficulties. Those difficulties and management's plans are discussed in Note 16.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

July 24, 2007

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The discussion and analysis of the ScholARTS Preparatory and Career Center for Children's (the School) financial performance provides an overall view of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance. On September 16, 2005 ScholARTS Preparatory Middle School merged with ScholARTS Career Center for Children, which resulted in a new entity, know as ScholARTS Preparatory and Career Center for Children.

**Financial Highlights**

- Total Assets were \$73,725. Total assets of the School consisted of cash on hand, prepaid items, state and federal grants receivable and capital assets.
- Total Liabilities were \$152,136. Liabilities at year end are attributable to personnel and material and supply costs that were earned prior to June 30, 2006, but were not paid until after June 30, 2006 and assumed liabilities due to a merger described in Note 3.
- Total Net Assets were \$(78,411). Net assets increased due to a decrease in current Liabilities.
- Total Change in Net Assets was \$4,561.

**Using this Annual Financial Report**

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

**Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during 2006?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Table 1 provides a summary of the School's net assets for fiscal year 2006 compared to fiscal year 2005:

Table 1 Net Assets		
	2006	2005 (Restated)
<b>Assets</b>		
Current Assets	\$ 26,699	\$ 37,054
Security Deposit	7,917	7,917
Capital Assets, Net	39,109	32,567
Total Assets	73,725	77,538
<b>Liabilities</b>		
Current Liabilities	152,136	160,510
Total Liabilities	152,136	160,510
<b>Net Assets</b>		
Invested in Capital Assets	39,109	32,567
Restricted for Other Purposes	6,012	1,207
Unrestricted	(123,532)	(116,746)
Total Net Assets	\$ (78,411)	\$ (82,972)

Total assets decreased by \$3,813. While cash and cash equivalents decreased by \$19,080, total receivables increased by \$12,589. Total liabilities decreased by \$8,374. The School's net assets increased by \$4,561. This was the second full year of operations.



**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2006 as compared to fiscal year 2005.

Table 2 Change in Net Assets		
	2006	2005
<b>Revenues</b>		
Operating Revenues:		
Foundation Payments	\$ 535,627	\$ 278,576
Disadvantaged Pupil Impact Aid	-	9,790
Special Education	9,735	5,724
Food Services	369	180
Other Operating Revenues	8,972	1,639
Non-Operating Revenues:		
Federal and State Grants	192,723	157,523
Contributions and Donations	2,700	561
Interest Income	38	22
<b>Total Revenues</b>	<b>750,164</b>	<b>454,015</b>
<b>Expenses</b>		
Operating Expenses		
Salaries	385,660	149,300
Fringe Benefits	74,069	35,021
Purchased Services	249,798	203,575
Materials and Supplies	3,323	77,672
Depreciation	10,950	7,020
Other Expenses	21,803	13,761
<b>Non-Operating Expenses:</b>		
Other Expenses	-	505
<b>Total Expenses</b>	<b>745,603</b>	<b>486,854</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 4,561</b>	<b>\$ (32,839)</b>

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

There was an increase in revenues of \$296,149 and an increase in expenses of \$258,749 from fiscal year 2005. Of the increase in revenues, the foundation payments increased by \$257,051 due to increased enrollment. Community Schools receive no support from tax revenues.

The expense for salaries increased by \$236,360 and the expense for fringe benefits increased by \$39,048 from fiscal year 2005. This was the second full fiscal year of operations and enrollment was the reason for the increases.

**Capital Assets**

At the end of fiscal year 2006 the School had \$39,109 (net of \$19,062 in accumulated depreciation) invested in furniture and equipment. Table 3 shows fiscal year 2006 balances compared to fiscal year 2005:

Table 3  
Capital Asset at June 30, 2006  
(Net of Depreciation)

	2006	2005 (Restated)
Furniture, Fixtures, and Equipment	\$ 34,567	\$ 32,567
Computers	4,542	-
Totals	<u>\$ 39,109</u>	<u>\$ 32,567</u>

For more information on capital assets see Note 6 to the basic financial statements.

**Debt**

At June 30, 2006 the School had \$1,100 outstanding on a cash advance. Also during the fiscal year small loans were made from officers of the school but all were repaid by fiscal year end.

**Current Financial Issues**

The School's financial relationship with the Lucas County Educational Service Center aids in the raising of the quality of financial records and strengthens internal controls .

During the 2005-2006 school year, there were approximately 77 students enrolled in the School. The School receives its revenue mostly from state aid. Per pupil aid for fiscal year 2006 amounted to \$5,284 per student.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizen's with a general overview of the Schools' finances and to show the Schools' accountability for the money it receives. If you have questions about this report or need additional information contact Dr. Cheryl Parchia of the ScholARTS Preparatory and Career Center for Children, 867 Mt. Vernon Avenue, Columbus, Ohio 43203 or e-mail at dr.ctp@scholarts.org.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 7,291
Intergovernmental Receivable	17,491
Prepaid Items	1,917
Total Current Assets	<u>26,699</u>

Noncurrent Assets:

Security Deposits	7,917
Capital Assets, Net	39,109
Total Noncurrent Assets	<u>47,026</u>
Total Assets	<u>73,725</u>

Liabilities:

Current Liabilities:

Accounts Payable	18,312
Accrued Wages Payable	45,410
Ohio Department of Education Payable	70,796
Loan Payable	1,100
Intergovernmental Payable	16,518
Total Current Liabilities	<u>152,136</u>
Total Liabilities	<u>152,136</u>

Net Assets:

Invested in Capital Assets	39,109
Restricted for Other Purposes	6,012
Unrestricted	(123,532)
Total Net Assets	<u>\$ (78,411)</u>

See Accompanying Notes to the Basic Financial Statements

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Operating Revenues:

Foundation Payments	\$ 535,627
Special Education	9,735
Classroom Fees	40
Food Services	369
Extracurricular Activities	100
Other Operating Revenues	<u>8,832</u>
Total Operating Revenues	<u>554,703</u>

Operating Expenses:

Salaries	385,660
Fringe Benefits	74,069
Purchased Services	249,798
Materials and Supplies	3,323
Depreciation	10,950
Other Operating Expenses	<u>21,803</u>
Total Operating Expenses	<u>745,603</u>
Operating Loss	<u>(190,900)</u>

Non-Operating Revenues:

Operating Grants - Federal	37,593
Operating Grants - State	155,130
Contribution and Donations	2,700
Interest	<u>38</u>
Total Non-Operating Revenues	<u>195,461</u>
Change in Net Assets	4,561
Net Assets at Beginning of Year Restated	<u>(82,972)</u>
Net Assets at End of Year	<u><u>\$ (78,411)</u></u>

See Accompanying Notes to the Basic Financial Statements

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 521,279
Cash Received from Classroom Materials and Fees	40
Cash Received from Food Services	369
Cash Received from Extracurricular Activities	100
Cash Received from Other Operating Sources	8,832
Cash Payments to Suppliers for Goods and Services	(291,141)
Cash Payments to Employee for Services	(375,417)
Cash Payments for Employee Benefits	(58,671)
Net Cash Used for Operating Activities	<u>(194,609)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants - Federal	22,222
Cash Received from Operating Grants - State	166,961
Proceeds from Loans	7,000
Principal Payments	(5,900)
Cash Received from Contributions and Donations	2,700
Net Cash Provided by Noncapital Financing Activities	<u>192,983</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(17,492)
Net Cash Used for Capital and Related Financing Activities	<u>(17,492)</u>

Cash Flows from Investing Activities:

Cash Received from Interest on Investments	38
Net Cash Provided by Investing Activities	<u>38</u>

Net Increase in Cash and Cash Equivalents	(19,080)
Cash and Cash Equivalents at Beginning of Year (Restated)	<u>26,371</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,291</u>

(Continued)

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Operating Loss	\$ (190,900)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	10,950
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(9,049)
Decrease in Prepaid Items	3,864
Decrease in Accounts Payable	(19,749)
Increase in Accrued Wages Payable	12,256
Decrease in Ohio Department of Education Payable	(6,435)
Increase in Loan Payable	1,100
Increase in Intergovernmental Payable	<u>3,354</u>
Total Adjustments	<u>(3,709)</u>
Net Cash Used for Operating Activities	<u><u>\$ (194,609)</u></u>

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The ScholARTS Preparatory and Career Center for Children (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. Management is not aware of any course of action or series of events, which could adversely affect the School's tax-exempt status. The School's mission is for children to increase academic achievement, develop a community of scholars using the arts, and expose young children to a variety of options through an age-appropriate literacy based career center. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years effective for the 2004-2005 academic school year. 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 sponsorship agreement states the Treasurer of the Sponsor should serve as the Chief Fiscal Officer (See Notes 12 and 17).

The School operates under the direction of a five-member Board of Directors. The Board of Directors 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 Governing Board controls the School's one instructional/support facility. The School is staffed by 5 non-certificated and 10 certificated full time teaching personnel. There were 77 students enrolled at June 30, 2006.

On September 6, 2005, the Ohio Department of Education authorized the merger of ScholARTS Career Center for Children and ScholARTS Preparatory Middle School prior to the start of the 2005-2006 academic year. The merger resulted in a new entity known as the ScholARTS Preparatory and Career Center for Children. The Lucas County Educational Service Center closed financial records of the ScholARTS Career Center for Children on September 16, 2005 and as of that date ScholARTS Preparatory and Career Center for children assumed the assets and liabilities of the ScholARTS Career Center for Children. (See Note 3)

**2. 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 a governmental nonprofit organization. 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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School's accounting policies.

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The School's uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. 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 statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flow reflects how the School finances and meets its cash flow needs.

**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 an annual budget requirement in addition to preparing a five-year forecast, which is to be updated annually.

**D. Cash and Investments**

The School's fiscal agent, the Lucas County Educational Service Center, accounts for all monies received by the School. All cash received by the fiscal agent is maintained in separate accounts in the School's name. Monies for the School are maintained in these accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments (See Note 4).

**E. Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500. 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.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful live of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture, Fixtures, and Equipment	5



**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Intergovernmental Revenue**

The School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) 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 all eligibility requirements have been met.

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

**G. Prepaid Items**

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the Statement of Net Assets, using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or regulations of other governments.

**I. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily the State Foundation program and the State Special Education program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Security Deposit**

The School entered into a lease for the use of the building for the administration and instruction of the School. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling \$7,917, is held by the lessor. (See Note 11)

**3. RESTATEMENT OF NET ASSETS, JUNE 30, 2005 FOR MERGER OF SCHOLARTS CAREER CENTER**

As noted above, on September 16, 2005 assets, liabilities and net assets of ScholARTS Career Center were turn over to Scholarts Preparatory Middle School and a new entity known as the ScholARTS Preparatory and Career Center for Children resulted. The following assets, liabilities and net assets of Scholarts Career Center were merged:

<u>Assets:</u>	
Cash and Cash Equivalents	\$11,831
Prepaid Items	4,231
Capital Assets, net	<u>5,316</u>
Total Assets	21,378
 <u>Liabilities and Net Assets:</u>	
Intergovernmental Payable	<u>(77,231)</u>
Total Liabilities	(77,231)
 Invested in Capital Assets	 5,316
Restricted for Other Purposes	322
Unrestricted Nets Assets (Deficit)	<u>(61,491)</u>
Total Net Assets	<u>(55,853)</u>

The merger was accounted for by taking the June 30, 2005 net asset amount of ScholARTS Preparatory Middle School and adding on the deficit net assets of ScholARTS Career Center for Children:

June 30, 2005 ScholARTS Preparatory Middle School Net Assets	\$(27,119)
Merger of Scholarts Career Center Net Assets	<u>(55,853)</u>
Restated June 30, 2005 Net Assets	<u>\$(82,972)</u>

**4. DEPOSITS**

At fiscal year end June 30, 2006, the carrying amount of the School's deposits was \$7,291 and the bank balance was \$13,214. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$13,214 was covered by the Federal Depository Insurance Corporation and was not exposed to custodial credit risk.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**4. DEPOSITS (Continued)**

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

**5. RECEIVABLES**

Receivables at June 30, 2006, consisted of intergovernmental receivables arising from federal reimbursement. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	Amount
Federal Lunch Reimbursement	\$ 2,857
Title I '06	\$ 13,434
Title IIA '06	1,200
Total Receivables	\$ 17,491

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<b>Restated Balance 06/30/05</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/06</b>
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$ 39,281	\$ 14,068	\$ -	\$ 53,349
Computers	1,398	\$ 3,424		4,822
Total Capital Assets		-		
Being Depreciated	40,679	17,492	-	58,171
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(8,112)	(10,670)		(18,782)
Computers	-	(280)	-	(280)
Total Accumulated Depreciation	(8,112)	(10,950)	-	(19,062)
Capital Assets, Net of A/D	\$ 32,567	\$ 6,542	\$ -	\$ 39,109

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**7. RISK MANAGEMENT**

**A. Insurance Coverage**

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. During fiscal year 2006, the School contracted with the Philadelphia Insurance Company for general liability and director's and officer's insurance.

Coverage is as follows:

Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	1,000,000
Commercial General Liability Personal and Advertising Injury	1,000,000
Director's and Officer's Liability per occurrence	1,000,000
Director's and Officer's Liability aggregate	1,000,000

The School owns no property, but leases one facility located at 400 E. Town Street, Columbus, Ohio. (See Note 11)

**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 monthly total gross payroll by a factor that is calculated by the State.

**C. Employee Medical, Dental, and Life Benefits**

The School contracted through a private insurance carrier to provide employee medical, dental, and vision insurance to its employees. The School pays the full amount of the monthly premiums for all selected coverage (medical, dental, and Life).

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute an actuarially determined rate. The employer rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.57 percent 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 fiscal years ending June 30, 2006 and 2005 were \$2,251, respectively; 100 percent has been contributed for fiscal year 2006 and 2005.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement Systems**

The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement Systems (Continued)**

**Combined Plan Benefits** – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School's required contribution for pension obligations for the fiscal years ended June 30, 2006 and 2005 were \$46,062 and \$14,669, respectively; 69.28% percent has been contributed for fiscal year 2006 and 100 percent for 2005. \$16,518 is the unpaid contribution at fiscal year ended June 30, 2006 and it is reported as intergovernmental payable on the Statement of Net Assets.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement Systems (Continued)**

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2006 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2006 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS OhioWeb site at [www.strsoh.org](http://www.strsoh.org).

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 3.43 percent. 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 2006, the minimum pay was established at \$27,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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, before premium deduction. Net health care costs for the year ending June 30, 2005 (the latest information available), were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 58,123.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2006, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the School, the amount to fund health care benefits, including surcharge, equaled \$1,146 for the fiscal year ended June 30, 2006.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion of June 30, 2005. For the School, this amount equaled \$3,543 for the fiscal year ended June 30, 2006.

For the fiscal year ended June 30, 2005 (the latest information available) net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

**10. SHORT TERM DEBT**

As stated in Note 15, during fiscal year 2006 the School entered into a short term, interest free loan with CEO Dr. Cheryl Parchia for \$2,000. The school repaid this loan by April 12, 2006.

On October 28, 2005 the School borrowed \$4,000 on a MBNA Credit Card account through a cash advance. The School still owed \$1,100 on this cash advance at June 30, 2006.

**11. OPERATING LEASE**

In October 2005, the School entered into an operating lease for the period October 1, 2005 through September 30, 2006 with Capital South Community Redevelopment for the use of the School's facility. Payments made totaled \$129,892 for the fiscal year ended 2006.

**12. FISCAL AGENT**

The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. A total contract payment of \$13,729 was paid during the year.



**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**12. FISCAL AGENT (Continued)**

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the School:

- Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and expending state funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the School in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the School so long as the proposed expenditure is within the approved budget and funds are available.

**13. PURCHASED SERVICES**

For the period July 1, 2005 through June 30, 2006, purchased service expenses were payments for services rendered by various vendors, and is as follows:

<b>PURCHASED SERVICES</b>	
Professional and Technical Services	\$ 77,400
Property Services	137,646
Travel Mileage/Meeting Expense	5,085
Communications	17,269
Contracted Craft or Trade Services	11,872
Other Purchased Services	<u>526</u>
Total Purchased Services	<u><u>\$ 249,798</u></u>

**14. 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 become a liability of the School. However, in the opinion of management, any such disallowed claims will not have an adverse material effect on the overall financial position of the School at June 30, 2006.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**14. CONTINGENCIES (Continued)**

**B. School Funding**

The Ohio Department of Education reviews 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.

ODE has not yet conducted a review of the School's 2006 student enrollment data and FTE calculations. For the year ended 2006, The School does not anticipate revenue adjustments based on the results of any such review.

**C. Litigation**

A suit was filed in the U.S. District Court, southern District of Ohio, Western Division on October 6, 2004 which challenges the funding of Charter Schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. This case is still pending. The effect of this suit, if any, on the School is not presently determinable.

**15. RELATED PARTY TRANSACTIONS**

Dr. Cheryl Parchia, Founder and CEO of the School, also is president of the board of directors. During fiscal year 2006, Dr. Parchia received a \$55,000 salary and \$20,000 as grant administrator. Dr. Parchia received no compensation for being board president.

In addition on July 30, 2005, Dr. Parchia provided a \$2,000 interest free loan to the School. The loan was paid off on April 12, 2006.

The board secretary of the School is the daughter of Dr. Cheryl Parchia. During fiscal year 2006, a \$1,500 stipend was paid to her as compensation for her position.

**16. MANAGEMENT PLAN**

The School is having difficulties meeting operational expenses. As of June 30, 2006, the School had a net asset balance of (\$78,411). On September 16, 2005 the Board also assumed the liabilities of ScholARTS Career Center for Children that included a liability of \$77,231 owed to the Ohio Department of Education for the overpayment of foundation monies. This liability has been repaid as of June 30, 2007.

On December 7, 2005 the Board of Directors voted to decrease all administrative and teaching staff salaries by 10% until an increase in funding could be found. The Board of Directors have drafted a fiscal plan and five year forecast. The fiscal plan includes applying for and obtaining governmental grants and private and corporate donations to aid in operational costs.

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Continued)**

**17. SUBSEQUENT EVENTS**

As noted above the School assumed a liability of \$77,231 owed to the Ohio Department of Education and at June 30, 2006 owed \$70,796. This liability has been repaid as of June 30, 2007.

On September 26, 2006 the School changed sponsors from Lucas County Educational Service Center to Kids Count of Dayton, Inc. The agreement will end on June 30, 2007. On March 23, 2007 the sponsor amended the agreement and the term was extended until June 30, 2008.

The School also changed fiscal officers on July 1, 2006 from the Treasurer of Lucas County Educational Service Center to Steve Sites.

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# Mary Taylor, CPA

## Auditor of State

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

ScholARTS Preparatory and Career Center for Children  
Franklin County  
867 Mount Vernon Avenue  
Columbus, Ohio 43203

To the Board of Directors:

We have audited the basic financial statements of ScholARTS Preparatory and Career Center for Children, Franklin County, Ohio (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated July 24, 2007, wherein we noted the School is experiencing certain financial difficulties. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated July 24, 2007, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

July 24, 2007

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Annual Report Filing**

Ohio Rev. Code Section 117.38 states that each public office, other than a state agency, shall file a financial report for each fiscal year. The report should be filed with the Auditor of State within sixty days after the close of the fiscal year, except that public office reporting pursuant to generally accepted accounting principles (GAAP) shall file their reports within one hundred fifty days after the close of the fiscal year.

The School did not file their fiscal year 2006 GAAP basis financial report with the Auditor of State within one hundred fifty days for the fiscal year ended June 30, 2006. The 2006 GAAP basis financial report was filed on May 2, 2007.

We recommend the School file their annual financial report with the Auditor of State within the one hundred fifty day period following the close of the fiscal year.

**Officials' Response:** The Treasurer will file the GAAP basis financial report with the Auditor of State within the 150 day period following the close of the fiscal year.







**Mary Taylor, CPA**  
Auditor of State

**SCHOLARTS PREPARATORY AND CAREER CENTER FOR CHILDREN  
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  
OCTOBER 16, 2007**