GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

Audit Report

For the Year Ended June 30, 2008

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

Mary Taylor, CPA
Auditor of State

Governing Board
George Washington Carver Preparatory Academy
2283 Sunbury Rd.
Columbus, Ohio 43219

We have reviewed the *Report of Independent Accountants* of the George Washington Carver Preparatory Academy, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 14, 2010

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GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY
Audit Report
For the Year Ended June 30, 2008

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Governing Board:

We were engaged to audit the accompanying basic financial statements of the George Washington Carver Preparatory Academy (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

The Academy presented us with financial statements, reflecting the Academy's transactions for the audit period. However, we were unable to obtain sufficient competent evidential matter related to various asset, liability, revenue and expense balances. Also, we were not able to obtain required representations from management or confirm balances with creditors.

Because we were unable to satisfy ourselves concerning various financial statement amounts and obtain required representations from management or confirm balances with creditors, as explained in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. The Academy has experienced losses the past several years and accumulated a net asset deficit of $891,415 that raise substantial doubt about its ability to continue as a going concern. As described in Note 12, the Academy intends to terminate operations after the 2010 school year. The financial statements do not include any adjustments as a result of this decision.

The Academy has not fully paid for services provided more than one year prior to our opinion date. The Academy still owed $11,880 in fees for the audit for the year ending June 30, 2007.

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

In accordance with *Government Auditing Standards,* we have also issued a report dated February 6, 2010 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
February 6, 2010

Presented below is a discussion and analysis of the George Washington Carver Preparatory Academy financial performance for the fiscal year ended June 30, 2008. The purpose of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- ✓ In total, net assets decreased $40,347. This loss was due to salaries and purchased services expenses increasing faster than revenues for the year.
- ✓ Total assets were $52,990.
- ✓ Total liabilities were $944,405.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. This basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

<u>Statement of Net Assets</u>

This statement was prepared using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the school's net assets for fiscal years 2007 and 2008.

(Table 1)
Net Assets

	2008	2007
Assets		
Current Assets	$ 15,000	$ 15,000
Capital Assets, Net	37,990	-
Total Assets	52,990	15,000
Liabilities		
Current liabilities	944,405	798,642
Non-Current Liabilities	-	67,426
Total Liabilities	944,405	866,068
Net Assets		
Invested in Capital Assets	37,990	-
Unrestricted	(929,405)	(851,068)
Total Net Assets (Deficit)	$ (891,415)	$ (851,068)

Total assets increased $37,990, solely because of the increase in capital assets. Total liabilities increased by $78,337 primarily because of payroll liabilities. Net assets decreased by $40,347 as a result of an increase in purchased services and salaries more than the increase in foundation revenue.

Table 2 shows the changes in net assets for fiscal years 2007 and 2008.

Change in Net Assets

	2008	2007
Operating Revenues		
Foundation Payments	$ 1,584,158	$ 1,134,629
Disadvantaged Pupil Impact Aid	124,637	24,689
Non-Operating Revenues		
Federal and State Grants	147,282	74,780
Other Non-Operating Revenue	21,040	-
Total Revenues	1,877,117	1,234,098
Operating Expenses		
Salaries	862,886	667,783
Fringe Benefits	284,203	152,187
Purchased Services	712,801	461,992
Materials and Supplies	57,574	7,667
Depreciation	-	2,664
Non-Operating Expenses		
Interest	-	3,684
Total Expenses	1,917,464	1,295,977
Increase/(Decrease) in Net Assets	$ (40,347)	$ (61,879)

Total Foundation revenue increased by $549,477 as a result of higher enrollment. Overall operating expenses were up 48% because of the increased enrollment. Overall operating expenses increases outpaced the revenue increase by 3%, resulting in an overall decrease in net assets of $40,347.

Capital Assets

At the end of the fiscal year 2008, the School had $37,990 invested in furniture and equipment. Table 3 shows the fiscal year detail.

(Table 3)
Capital Assets

		2008
Furniture & Equipment	$	182,897
Leasehold Improvements		996,891
Less: Accumulated Depreciation		(1,141,798)
Net Capital Assets	$	37,990

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

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Ed Dudley, Treasurer at dudleye_L@msn.com.

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
STATEMENT OF NET ASSETS
June 30, 2008

Assets		
Current Assets:		
Security Deposit with Lessor	$	15,000
Total Current Assets		15,000
Non-Current Assets		
Capital Assets		37,990
Net Depreciable Assets		37,990
Total Assets	$	52,990
Liabilities		
Current liabilities:		
Accounts payable	$	194,419
Payroll Withholdings		513,364
Notes payable		207,965
Cash Overdraft		2,398
Loans from Officers		26,259
Total liabilities		944,405
Net Assets		
Invested in Capital Assets		37,990
Unrestricted		(929,405)
Total Net Assets	$	(891,415)

See the accompanying notes to the financial statements

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues:		
State Foundation	$	1,584,158
Poverty Based Assistance		124,637
Total Operating Revenues		1,708,795
Operating Expenses:		
Salaries		862,886
Fringe Benefits		284,203
Purchased Services		712,801
Materials & Supplies		57,574
Total Operating Expenses		1,917,464
Operating Income (Loss)		(208,669)
Non-Operating Revenues:		
Federal and State Grants		147,282
Other		21,040
Total Non-Operating Revenues (Expenses)		168,322
Change in Net Assets		(40,347)
Net Assets (Deficit) at Beginning of Year		(851,068)
Net Assets (Deficit) at End of Year	$	(891,415)

See the accompanying notes to the financial statements

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities		
Cash Received from the State of Ohio	$	1,708,795
Cash Payments to Suppliers for Goods and Services		(774,390)
Cash Payments to Employees for Services		(862,886)
Cash Payments for Employee Benefits		(114,478)
Net Cash Used for Operating Activities		(42,959)
Cash Flows from Noncapital Financing Activities:		
Cash Received from Grants-Federal and State		147,282
Cash Received from Non Operating Sources		21,040
Cash Received from Officers		16,913
Payments on Notes Payable		(104,286)
Net Cash Provided by Noncapital Financing Activities		80,949
Cash Flows for Capital and Related Financing Activities		
Payments for Capital Acquisitions		(37,990)
Net Cash Used for Capital and Related Financing Activities		(37,990)
Net Decrease in Cash and Cash Equivalents		-
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	$	-
Reconciliation of Operating Loss to Cash Used for Operating Activities:		
Operating Loss	$	(208,669)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by/(Used for) Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts payable		(5,693)
Increase in Payroll Withholdings		169,725
Increase in cash overdraft		1,678
Total Adjustments		165,710
Net Cash Used for Operating Activities	$	(42,959)

See the accompanying notes to the financial statements.

1. Description of the Reporting Entity

The George Washington Carver Preparatory Academy, Inc., (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The Academy operates on a foundation, which fosters character building for all students, parents and staff members. The Academy, 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 Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Resource Consultants of Ohio, (the Sponsor) for a period of five years commencing September 20, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Governing Board. The Governing 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 Governing Board controls the Academy's instructional and administrative staff.

2. Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before August 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies:

2. Summary of Significant Accounting Policies-(Continued)

A. Basis of Presentation

The Academy'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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

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., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Academy on reimbursement basis.

2. Summary of Significant Accounting Policies-(Continued)

C. Basis of Accounting-(Continued)

Expenses are recognized at the time they are incurred.

D. 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 contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent. All Cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid Program and the State Special Education Program. Revenues from these programs are recognized as operation revenues in the accounting period in which all eligibility requirements are met.

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

2. Summary of Significant Accounting Policies-(Continued)

F. Basis of Accounting-(Continued)

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 Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for addition and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $ 500. The Academy 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 and asset's life are not.

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

Equipment	5 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of Related Debt 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 used either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments.

2. Summary of Significant Accounting Policies-(Continued)

H. Net Assets-(Continued)

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Estimates

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

3. Deposits

At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits was $(2,398) and the bank balance was $(30). Any positive deposits are covered by Federal Depository Insurance Corporation.

The Academy had 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.

4. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows. Certain beginning balances have been reclassified.

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Capital Assets, Being Depreciated:				
Furniture, Fixtures and Equipment	$ 144,907	$ 37,990	$ -	$ 182,897
Leashold Improvements	996,891	-	-	996,891
Total Capital Assets, Being Depreciated:	1,141,798	37,990	-	1,179,788
Less: Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(144,907)	-	-	(144,907)
Leashold Improvements	(996,891)	-	-	(996,891)
Total Accumulated Depreciation:	(1,141,798)	-	-	(1,141,798)
Total Capital Assets, Net	$ -	$ 37,990	$ -	$ 37,990

5. Operating Leases

The Academy has an operating lease for the period of July 1, 2006 through June 30, 2009 with Bethlehem Temple Church to lease a school facility. The base rental of the lease is $2,083 per month. Payments totaling $25,000 were made during the year.

6. Debt

The Academy's debt obligations during fiscal year 2008 were as follows:

	Balance 06/30/2007	Issued	Redeemed	Balance 06/30/2008	Due Within One Year
Overdraft Protection	$33,560	-	-	$33,560	$33,560
My Brothers' Keeper	184,405	-	$10,000	174,405	174,405
Carl Shye	34,887	$16,913	42,786	9,014	9,014
Marie & Arthur Congo	57,245	-	40,000	17,245	17,245
Janet Perry	1,500	-	1,500	-	-
Etta McBurrows	10,000	-	10,000	-	-
Total Debt Outstanding	$321,596	$16,913	$104,286	$234,224	$234,224

6. Debt-(Continued)

The Academy has an overdraft protection line of credit with U.S. Bank at an interest rate of 4 percent above prime rate announced by the bank. This line of credit was established to add overdraft protection to the Academy's bank account. As of June 30, 2008, the Academy owed $33,560.

The Academy had a loan from My Brothers Keeper (Mt. Hermon Baptist Church) in the amount of $174,405. The loan was made to provide operating capital for the school due to state foundation payments being suspended. The loan will be repaid as the school recovers enrollment. The interest rate on the loan is six percent.

Academy officers and employees made loans to the Academy. The loans were made to cover expenses and cash shortages as the Academy attempted to address its financial problems. During fiscal year 2008, $26,259 was outstanding on these loans. The Academy has entered into demand loan agreements with these officials stating that the loans will be paid within two years at an interest rate of six percent. They will be paid with general operating funds as the Academy feels finances permit.

There were no amortization schedules prepared for the above loans due to the nature of the repayment terms.

7. Risk Management

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2008 the Academy contracted for the following insurance coverage:

Coverage Provided by Guide One Mutual Insurance Company:

<u>General Liability:</u>	
Each Occurrence	$1,000,000
Aggregate	$3,000,000

7. Risk Management-(Continued)

B. Workers' Compensation

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

8. Defined Benefit Pension Plans

A. School Employees Retirement System

The Academy 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 June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007 was 14 percent of annual covered payroll; 10.58 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 Academy's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2008, 2007 and 2006 was \$49,627, \$28,700 and \$29,826; 89 percent has been contributed for fiscal year June 30, 2008.

8. Defined Benefit Pension Plans-(Continued)

B. State Teachers Retirement System

The Academy 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 31st year of earned Ohio service credit is calculated at 2.5%.

8. Defined Benefit Pension Plans-(Continued)

B. State Teachers Retirement System-(Continued)

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.

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.

8. Defined Benefit Pension Plans-(Continued)

B. State Teachers Retirement System-(Continued)

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 member's 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 June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations.

8. Defined Benefit Pension Plans-(Continued)

B. State Teachers Retirement System-(Continued)

The Academy's required contribution for pension obligations for the fiscal years June 30, 2008, 2007 and 2006 was $89,656, $68,311 and $23,742, respectively. Not all of these pension liabilities have been paid and have been included in the liabilities of the Academy.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

9. Postemployment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's 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 statue. Both systems are on a pay-as-you-go basis.

A. State Teachers Retirement System of Ohio

STRS retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were $2,339, $1,923 and $1,544, respectively.

9. Postemployment Benefits-(Continued)

B. School Employees Retirement System

SERS offers two cost-sharing multiple employer defined benefit OPEB plans for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 this amount was $35,800.

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $7,221, $4,431 and $2,862, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were $875, $402 and $499, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

10. Fiscal Agent

The Academy entered into a contract with Carl W. Shye Jr. to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate Mr. Shye $55,000 per year.

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

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;

- Maintain all books and accounts of the Academy;

- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;

- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;

- Invest funds of the Academy 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 Academy 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 Academy so long as the proposed expenditure is within the approved budget and funds are available.

11. Contingencies

A. Grants

The Academy receives significant financial assistance from numerous 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 agreement and are subject to an 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2008.

B. School Funding

The Ohio Department of Education conducts 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 Academy's 2007 student enrollment data and FTE calculations. For 2008, the Academy does not anticipate revenue adjustments based on the results of any such review.

12. Subsequent Event/Going Concern

The Academy experienced a substantial operating loss for fiscal year 2008 and several previous years. As a result, management has decided to close the Academy after the 2010 school year.

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

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

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

To the Board of Directors:

We were engaged to audit the financial statements of the George Washington Carver Preparatory Academy, Franklin County Ohio (Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 6, 2010. We did not express an opinion on those financial statements because we were unable to obtain sufficient competent evidential matter related to various assets, liability, revenue and expense balances and we were not able to obtain required representations from management or confirm balances with creditors. Furthermore, the Academy had not fully paid for the 2007 audit services.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2008-GWC-02 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards,* which are described in the accompanying schedule of findings as items 2008-GWC -01 and 02.

The Academy's responses to the findings indentified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

Charles E. Harris & Associates, Inc
February 6, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
June 30, 2008

FINDING NUMBER 2008-GWC-01

Material Noncompliance

Internal Revenue Code (IRC) 26 U.S.C Section 3403, 26 U.S. Section 3102(a), Ohio Revised Code Section 5747.06, and various municipal tax ordinances require amounts withheld from employees' payroll earnings be submitted to the Internal Revenue Service and the Ohio Department of Taxation on a timely basis. The Academy did not remit payroll tax withholdings and Medicare Tax withholdings to these agencies as required.

Management Response:

We did not receive a management response.

FINDING NUMBER 2008-GWC-02

Material Noncompliance/Material Weakness

The Ohio Revised Code, the Ohio Administrative Code and proper internal accounting control provides that the Academy should maintain an accounting system and accounting records sufficient to enable it to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Contrary to this requirement, the Academy did not produce documentation related to various assets, liabilities, revenues or expenses. Also, we could not determine that the Board was properly monitoring the financial activity during the year. Furthermore, we could not verify the accuracy of director loan balances. Accordingly, we were not able to verify various account balances or the propriety of various expenses.

We recommend that the Academy implement procedures to insure that records are retained for an appropriate period.

Management Response:

We did not receive a management response.

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2007-001	Ohio Rev. Code Section 3314.08(J), notes issued in anticipation of revenue	Yes	Finding no longer valid-no new loans
2007-002	Ohio Rev. Code Section 9.10	Yes	
2007-003	No capital asset policy in place	Yes	
2007-004	Effective monitoring control system not in place to assist in detecting misstatements	No	Not Corrected-Reissued as 2008-GWC-02
2007-005	Loans from officers and employees were not substantiated with proper documentation	No	Not Corrected-Reissued as 2008-GWC-02
2007-006	Internal Revenue Code (IRC) 26 U.S.C Section 3403, 26 U.S. Section 3102(a), Ohio Revised Code Section 5747.06, not remitting payroll tax withholdings and Medicare Tax withholdings	No	Not Corrected-Reissued as 2008-GWC-01

Mary Taylor, CPA
Auditor of State

GEORGE WASHINGTON CARVER PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 6, 2010

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