



**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHWEST OHIO BUILDING TRADES ACADEMY
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REPORT OF INDEPENDENT ACCOUNTANTS

Northwest Ohio Building Trades Academy
Wood County
803 Lime City Road, Suite 300
Rossford, Ohio 43460

To the Governing Board:

We have audited the Balance Sheet of the Northwest Ohio Building Trades Academy, Wood County, (the Academy) as of June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Accumulated Deficit, and the Statement of Cash Flows for the fiscal year ended June 30, 2000. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2000, and the results of operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2001 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 and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

March 19, 2001

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**NORTHWEST OHIO BUILDING TRADES ACADEMY
BALANCE SHEET
AS OF JUNE 30, 2000**

Assets

Current Assets

Cash and Cash Equivalents with Fiscal Agent	\$5,621
Receivables:	
Intergovernmental Receivables	<u>44,549</u>
Total Assets	<u><u>\$50,170</u></u>

Liabilities and Fund Equity

Current Liabilities

Contracts Payable	<u>\$179,899</u>
Total Liabilities	\$179,899

Fund Equity

Accumulated Deficit	<u>(129,729)</u>
Total Liabilities and Fund Equity	<u><u>\$50,170</u></u>

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

**NORTHWEST OHIO BUILDING TRADES ACADEMY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues

Foundation Payments	\$133,457
Special Education Program	<u>9,378</u>
Total Operating Revenues	<u>142,835</u>

Operating Expenses

Purchased Services	<u>360,218</u>
Total Operating Expenses	<u>360,218</u>
Operating Loss	<u>(217,383)</u>

Non-Operating Revenues

Operating Grants - State	82,900
Operating Grants - Federal	1,948
Interest Earnings	706
Contributions and Donations	<u>2,100</u>
Total Non-Operating Revenues	<u>87,654</u>
Net Loss	(129,729)
Retained Earnings at Beginning of Year	<u>0</u>
Accumulated Deficit at End of Year	<u><u>(\$129,729)</u></u>

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

**NORTHWEST OHIO BUILDING TRADES ACADEMY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio Foundation Payments	\$133,457
Cash Received from Special Education Program	\$9,378
Cash Payments to Suppliers for Goods and Services	<u>(180,319)</u>
Net Cash Used by Operating Activities	<u>(37,484)</u>

Cash Flows from Noncapital Financing Activities:

Operating Grants Received - State	38,351
Operating Grants Received - Federal	1,948
Miscellaneous Non-Operating Revenues	<u>2,100</u>
Net Cash Provided by Noncapital Financing Activities	<u>42,399</u>

Cash Flows from Investing Activities:

Interest on Investments	<u>706</u>
Net Cash Provided by Investing Activities	<u>706</u>
Net Increase in Cash and Cash Equivalents	5,621
Cash and Cash Equivalents at the Beginning of the Year	<u>0</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$5,621</u></u>

(Continued)

**NORTHWEST OHIO BUILDING TRADES ACADEMY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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

Operating Loss (\$217,383)

**Adjustments to Reconcile Operating Loss to
Net Cash Used by Operating Activities:**

Changes in Assets and Liabilities:

Increase in Contracts Payable 179,899

Total Adjustments 179,899

Net Cash Used by Operating Activities (\$37,484)

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

**NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Northwest Ohio Building Trades Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's objective is to provide a pre-apprenticeship/school-to-work program of study for high school juniors and seniors that introduces them to various careers in the building and construction trades. 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 Lucas County Educational Service Center (the Sponsor) for a period of four years commencing December 7, 1998. 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 sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy, (See Note 8).

The Academy operates under the direction of a six-member 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 has entered into a management contract with the Toledo Electrical Joint Apprenticeship and Training Trust (the Trust), a non-profit corporation, for management services and operation of its school. The Trust controls the Academy's one instructional/support facility and receives reimbursement for all direct costs for operation of the Academy, including staff and supervisor compensation, (See Note 11).

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 governmental nonprofit organizations. 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 November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

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

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

E. Fixed Assets and Depreciation

The Academy is operated under a management contract with the Toledo Electrical JATC Trust. Therefore, no fixed assets are recognized by the Academy.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

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

NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits and investment by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2000, the carrying amount of the Academy's deposits was \$5,621 and the bank balance was \$15,176. The bank balance was covered by federal depository insurance.

4. RECEIVABLES

Receivables at June 30, 2000, consisted of intergovernmental (e.g., state grant) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs.

5. RISK MANAGEMENT

A. Property and Liability

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. The Academy has contracted with Coregis/Westport for general liability insurance as required by its contract with the Sponsor.

B. Workers' Compensation

The Academy 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.

6. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School foundation program", which provides significant amounts of monetary support to the Academy. During the year ended June 30, 2000, the Academy received \$133,457 of school foundation support.

NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

6. STATE SCHOOL FUNDING DECISION (continued)

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

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

As of the date of these financial statements, the Academy is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

7. CONTINGENCIES

Grants

The Academy 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2000.

8. FISCAL AGENT

The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center four percent (4%) of the per pupil allotments paid to the Academy from the State of Ohio.

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

1. Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor's or any other Community School's funds;
2. Maintain all books and accounts of the Academy;

**NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. FISCAL AGENT (continued)

3. Maintain all financial records of all state funds of the Academy and follow State Auditor procedures for receiving and expending 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;
4. Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
5. 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
6. 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 proposed expenditure is within approved budget and funds are available.

9. PURCHASED SERVICE EXPENSES

For the fiscal year July 1, 1999 through June 30, 2000, purchased service expenses were payments for services rendered by various vendors, as follows:

PURCHASED SERVICES

Toledo Electrical Joint Apprenticeship and Training Trust

Instructional Expenses	\$152,633
Management Services	70,206
Advertising	33,066
Professional/Legal Services	30,412
Rent Expense	20,228
Retirement Expense	13,100
Staff Services	11,068
Other General and Administrative	10,674
Computer Maintenance	6,899
Other Program Services	3,996
Total Toledo Electrical Joint Apprenticeship and Training Trust	352,282
Lucas County Educational Service Center (See Note 8)	7,936
Total Purchased Services	<u><u>\$360,218</u></u>

NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

10. RELATED PARTY TRANSACTIONS

The Academy entered into a one-year renewable lease for a facility owned by the Toledo Electrical JATC Trust, for the year July 1, 1999 through June 30, 2000, with an automatic renewal option. All of the Board members of the Academy are also Trustees of the Trust. The Academy contracts with the Trust for operation of its school, including program evaluation; human resources, and staffing, supervision and performance review. Expenses recognized under this agreement were \$352,282 (See Note 9). At June 30, 2000, \$176,292 is due the Trust for reimbursement of operating expenses.

11. MANAGEMENT CONSULTING CONTRACT

The Academy entered into a one-year contract, on August 12, 1999, effective July 1, 1999 through June 30, 2000, renewable automatically on a year-to-year basis, provided, however, either party may terminate the Agreement upon ninety days notice to the other, with the Toledo Electrical Joint Apprenticeship and Training Trust (the Trust) for operational services. This agreement was renewed for the fiscal year ending June 30, 2001. Under the contract, the Trust is required to provide the following services:

- A. The Governing Board of the Academy shall determine school policy, establish school procedure, and approve all school contracts for goods and services.
- B. Subject to the direction of the Board, the Trust shall have full responsibility for operating the school and full discretion in implementing school policy and procedure.
- C. Operate the Academy, implement the Academy's policies and procedures and perform other obligations that arise under the agreement in full compliance with all applicable state and federal laws and the contract.
- D. Full responsibility for (i) providing all non-teaching staff from employees of the Trust, (ii) supervising, issuing paychecks to and discharging all other school personnel and reviewing their performance, and (iii) monitoring and supervising all contracts of the Academy.
- E. In consideration for the services provided under this agreement, the Academy shall reimburse the Trust for all expenses incurred.
- F. Perform whatever actions that may be required to enable the Academy to fully comply with all applicable state and federal laws and to comply with and implement the contract, including, but not limited to, compiling data and preparing financial and other reports and providing such data and reports to the Board in a timely manner.

12. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT

The Academy accumulated a deficit of \$129,729 for the year ended June 30, 2000, and is also delinquent in some payments to the management company. The Academy is analyzing operations and admission procedures to determine the appropriate procedures to eliminate the deficit. Management plans to eliminate the deficit with the following actions:

NORTHWEST OHIO BUILDING TRADES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

12. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT (continued)

- A) The Academy has been awarded a two-year grant from the Ohio Industrial Training Program (OITP) for the years ended June 30, 2000 and 2001. The grant agreement provides that the Academy will receive \$160,000 during these years, of which \$80,000 has been recorded for the year ended June 30, 2000. The remaining \$80,000 will be received in 2001.
- B) The Academy has applied for grants from various state departments, of these include the Ohio Department of Labor, Department of Development and the School-to-Work Program grants. As of March 1, 2001 \$44,550 has been received for these grants.
- C) The Academy has received notification from the Toledo Regional School-to-Work program that it will receive a donation of approximately \$15,000 during year 2001.
- D) A charter school grant from the Lucas County Educational Service Center in the amount of \$100,000 has been received by the Academy in fiscal year 2001.
- E) Since the Academy is managed by the Toledo Electrical JATC Trust (the Trust), expenses of the Academy are paid initially by the Trust and reimbursed by the Academy. The Trust has provided assurances that at this time, they will continue to service the community school through the community school project and will continue to pay expenses of the Academy and delay reimbursement based on cash flows.

13. TAX EXEMPT STATUS

The Academy has not obtained approval for its tax exempt status under § 501(c)(3) of the Internal Revenue Code. In November of 2000, management completed and filed the required forms. The Academy has made no provision for any potential future tax liability which could result from not obtaining the § 501(c)(3) tax exempt status.

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

Northwest Ohio Building Trades Academy
Wood County
803 Lime City Road, Suite 300
Rossford, Ohio 43640

To the Governing Board:

We have audited the financial statements of the Northwest Ohio Building Trades Academy, Wood County, (the Academy) for the fiscal year ended June 30, 2000, and have issued our report thereon dated March 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated March 19, 2001.

Northwest Ohio Building Trades Academy
Wood County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management, the Governing Board, and the Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 19, 2001



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NORTHWEST OHIO BULDING TRADES ACADEMY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 24, 2001**