



**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

REGULAR AUDIT

FOR THE PERIOD ENDED AUGUST 23, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Northwest Ohio Building Trades Academy
Wood County
803 Lime City Road, Suite 300
Rossford, Ohio 43460-1613

To the Governing Board:

We have audited the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance of Northwest Ohio Building Trades Academy (the Academy) as of and for the fiscal period July 1, 2000 through August 23, 2001. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States. As discussed in Note 2, the Academy chose to prepare its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit certain assets, liabilities, and fund equities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Academy as of August 23, 2001, and its cash receipts and disbursements for the fiscal period then ended on the basis of accounting described in Note 2.

As further discussed in Note 1 to the financial statements, the Governing Board adopted resolutions to suspend and close the operations of the Academy.

In accordance with *Government Auditing Standards*, we have also issued our report dated November xx, 2001 on our consideration of the Government'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.

This report is intended solely for the information and use of management, the Governing Board, Sponsor and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 5, 2001

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001**

Operating Cash Receipts

Foundation Payments	\$112,232
Special Education Program	4,610
	<hr/>
Total Operating Cash Receipts	116,842

Operating Cash Disbursements

Purchased Services	279,527
	<hr/>
Total Operating Cash Disbursements	279,527
	<hr/>
Excess of Operating Cash Receipts (Under) Operating Cash Disbursements	(162,685)

Non-Operating Cash Receipts

Operating Grants - State	141,667
Operating Grants - Federal	1,949
Interest Earnings	389
Contributions and Donations	13,059
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Total Non-Operating Cash Receipts	157,064
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Excess of Cash Receipts (Under) Cash Disbursements	(5,621)
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Fund Cash Balance at Beginning of Period	5,621
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Fund Cash Balance at End of Period	\$0

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

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**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001**

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 School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. 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 7).

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 10).

Suspension of Operations

On May 10, 2001, the Governing Board adopted a resolution to not reopen the Academy for the school year of 2001-2002, based on low enrollment.

Closing of The Academy

On August 23, 2001, the Trust forgave the money owed from the Academy in the amount of \$200,466 and closed the operations of the Academy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States, the Academy chose to prepare its financial statements on a basis of accounting that is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001
(Continued)**

B. 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.

C. 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.

D. Intergovernmental Revenues

The Academy participated 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 received.

The Academy also participated in the Charter School Grant Program through the Ohio Department of Education. Under this program, as part of the Lucas County pilot project, the Lucas County Educational Service Center awarded the Academy \$100,000 to partially defray school start-up costs. Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are received.

3. DEPOSITS AND INVESTMENTS

At August 23, 2001, the carrying amount and bank balance of the Academy's deposits was \$0.

4. 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 Cincinnati Insurance Company 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.

5. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001
(Continued)**

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 5, 2001 the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

6. CONTINGENCIES

A. 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 August 23, 2001.

B. Ohio Community School Program

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

7. 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:

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001
(Continued)**

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;
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.

8. PURCHASED SERVICE EXPENSES

For the fiscal period July 1, 2000 through August 23, 2001, purchased service expenses were payments for services rendered by various vendors, as follows:

PURCHASED SERVICES

Toledo Electrical Joint Apprenticeship and Training Trust

Instructional Expenses	\$121,802
Management Services	84,844
Advertising	8,917
Professional/Legal Services	19,921
Lease Payment for Building	18,000
Retirement Expense	2,364
Supplies	11,673
Other Program Services	8,399

Total Toledo Electrical Joint Apprenticeship and Training Trust 275,920

Lucas County Educational Service Center (See Note 7) 3,607

Total Purchased Services \$279,527

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001
(Continued)**

9. RELATED PARTY TRANSACTIONS

The Academy entered into a one-year renewable lease for a facility owned by the Toledo Electrical JATC Trust, for the fiscal year ended June 30, 2001, 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 under this agreement were \$275,920 (See Note 8). On August 23, 2001, \$200,466 due from the Academy to the Trust for reimbursement of operating expenses was forgiven by the Trust (See Note 1).

10. MANAGEMENT CONSULTING CONTRACT

The Academy entered into a renewable one-year contract, on August 12, 1999, with the Toledo Electrical Joint Apprenticeship and Training Trust (the Trust) for operational services. This contract was renewed for fiscal year 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.

Based on Note 1, the Academy has suspended and closed operations, and did not renew the contract with the Trust.

11. BUILDING LEASE

The Academy entered into a one year building lease with the Trust on August 18, 1999 for school facilities for \$18,000 payable at July 15 each year, with an automatic renewal annually. The Academy paid \$18,000 (see Note 8) during the fiscal period July 1, 2000 through August 23, 2001.

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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 43460-1613

To the Governing Board:

We have audited the financial statements of Northwest Ohio Building Trades Academy (the Academy) for the fiscal period July 1, 2000 through August 23, 2001, and have issued our report thereon dated December 5, 2001 in which we noted that the Academy suspended operations and chose to prepare its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10187-001.

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.

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

December 5, 2001

**NORTHWEST OHIO BUILDING TRADES ACADEMY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL PERIOD JULY 1, 2000 THROUGH AUGUST 23, 2001**

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

FINDING NUMBER 2001-10187-001

Ohio Administrative Code § 117-2-3 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States. However, the Academy prepared its financial statements on a comprehensive basis of accounting that is similar to the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time.



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NORTHWEST OHIO BUILDING 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
DECEMBER 27, 2001**