



**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Accumulated Deficit/Retained Earnings	4
Statement of Cash Flows	5
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	18

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Ida B. Wells Community Academy
Summit County
1180 Slosson Street
Akron, Ohio 44320

We have audited the Balance Sheet of the Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the year ended June 30, 2002, and the related Statements of Revenues, Expenses and Changes in Accumulated Deficit/Retained Earnings and of Cash Flows for the year then ended. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ida B. Wells Community Academy, Summit County, as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2002, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 11, 2002

This page is intentionally left blank.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2002**

ASSETS

Current assets:

Cash	\$ 12,120
Receivables:	
Accounts	10,574
State and federal grants	22,984
Prepaid expenses	1,560
Total current assets	<u>47,238</u>

Noncurrent assets:

Fixed assets, net of accumulated depreciation	<u>50,110</u>
Total assets	<u><u>\$ 97,348</u></u>

LIABILITIES AND FUND EQUITY

Current liabilities:

Accounts payable	\$ 28,932
Accrued wages and benefits	10,524
Compensated absences payable	1,166
Accrued interest payable	112
Line of credit payable	25,000
Total current liabilities	<u>65,734</u>

Fund equity

Retained earnings, unreserved	<u>31,614</u>
Total liabilities and fund equity	<u><u>\$ 97,348</u></u>

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

IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY

STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN ACCUMULATED DEFICIT/RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2002

<u>Operating revenues</u>	
State foundation	\$ 478,335
Sales	1,306
Other operating revenues	2,622
Total operating revenue	<u>482,263</u>
<u>Operating expenses</u>	
Salaries	332,633
Fringe benefits	80,763
Purchased services	120,134
Materials and supplies	69,631
Insurance	4,376
Rent	20,000
Depreciation	14,098
Other	364
Total operating expenses	<u>641,999</u>
Operating loss	<u>(159,736)</u>
<u>Non-operating revenues (expenses)</u>	
State and Federal grants	235,977
Interest expense	(3,061)
Net non-operating revenues (expenses)	<u>232,916</u>
Net income	73,180
Accumulated deficit at beginning of year	<u>(41,566)</u>
Retained earnings at end of year	<u>\$ 31,614</u>

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

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Increase (decrease) in cash

Cash flows from operating activities:

Cash from the State of Ohio	\$ 462,313
Cash payments to suppliers for goods and services	(224,512)
Cash payments to employees for services and benefits	(421,241)
Cash payment for other operating expenses	(270)
Other operating revenues	3,652
Net cash used for operating activities	<u>(180,058)</u>

Cash flows from noncapital financing activities:

State and Federal grants	232,146
Line of credit and loan proceeds	50,525
Line of credit and loan repayments	(50,348)
Net cash provided by noncapital financing activities	<u>232,323</u>

Cash flows from capital and related financing activities:

Cash payments from capital acquisitions	(49,993)
Interest payments	(3,148)
Net cash used for capital and related financing activities	<u>(53,141)</u>

Net decrease in cash (876)

Cash at beginning of year 12,996

Cash at end of year \$ 12,120

Reconciliation of operating loss to net cash used for operating activities:

Operating loss \$ (159,736)

Adjustments to reconcile operating loss to net cash used for operating activities:

Depreciation	14,098
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(10,574)
Prepaid expenses	(1,560)
Increase (decrease) in liabilities:	
Accounts payable	(13,259)
Intergovernmental payable	(1,884)
Compensated absences payable	1,166
Accrued wages and benefits	(8,309)
Total adjustments	<u>(20,322)</u>

Net cash used for operating activities \$ (180,058)

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

This page is intentionally left blank.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Ida B. Wells Community Academy (the Academy) is a nonprofit 501c(3) corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 to educate students in kindergarten through sixth grade. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operation under contract with the Ohio State Board of Education (the Sponsor) for a period of five years commencing with fiscal year July 1, 1999 through June 30, 2000. The Academy operates under a self-appointing, eight-member Board of Governors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 4 non-certified and 4 certified full-time teaching personnel who provide services to 72 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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 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.

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. Operating statements present increases (i.e., revenues) and decreases (i.e., 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 utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

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 Section 5705, unless specifically provided in the Academy's contract with the Sponsor. The contract between the Academy and the Sponsor, the Ohio Department of Education, does not prescribe a budgetary process for the Academy.

D. Cash and Cash Equivalents

Cash received by the Academy is maintained in demand deposit accounts.

For purposes of the Statement of Cash Flows and for presentation on the Balance Sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$500. The Academy does not possess any infrastructure and does not capitalize interest costs.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of furniture, fixtures, and equipment is computed using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are depreciated using the straight-line method over the remaining term of the lease agreement including the renewal option.

F. Intergovernmental Revenues

The Academy currently participates in several State and Federal programs, categorized as follows:

Entitlements

State Foundation Program

Non-Reimbursable Grants

Management Information Systems
SchoolNet Professional Development
Title II
Title I
Title VI
Title IV
Title VI-R
Charter School Startup

Reimbursable Grants

National School Lunch Program

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue for this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

The Academy also participated in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$300,000 to offset start-up costs of the Academy. The Academy received \$150,000 in fiscal year 2002, for a total of \$300,000 received to date. This program is recognized as non-operating revenue on the accompanying financial statements.

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

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

G. Accrued Liabilities

Obligations, such as interest due but unpaid, are reported as liabilities in the accompanying financial statements.

H. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS

At year-end, the carrying amount of the Academy's deposits was \$12,120 and the bank balance was \$31,601. All of the bank balance was covered by federal depository insurance.

NOTE 4 - STATE AND FEDERAL GRANTS RECEIVABLE

Receivables at June 30, 2002 consisted of accounts and State and Federal grants. All State and Federal grants are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

A summary of the principal items of the State and Federal grants receivable is as follows:

Title I	\$ 13,136
Title II	109
Title IV	557
Title VI	3,417
Lunch reimbursement	<u>5,765</u>
	<u>\$ 22,984</u>

NOTE 5 - FIXED ASSETS AND DEPRECIATION

A summary of the Academy's fixed assets at June 30, 2002, follows:

Furniture, Fixtures and Equipment	\$ 63,554
Leasehold Improvements	<u>8,027</u>
Subtotal	71,581
Less: Accumulated Depreciation	<u>(21,471)</u>
Net Fixed Assets	<u>\$ 50,110</u>

NOTE 6 - PURCHASED SERVICES

For the period July 1, 2001 through June 30, 2002, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$ 12,242
Building Maintenance	11,326
Security Service	5,917
Food Service	36,510
Student Transportation	19,249
Utilities	23,653
Advertising	4,894
Property Services	1,292
Travel and Meeting Expenses	3,085
Dues and Fees	<u>1,966</u>
Total	<u>\$ 120,134</u>

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

NOTE 7 - RISK MANAGEMENT

A. Property and Liability - The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a \$1,000 deductible and a \$1 million limit. There was no reduction in coverage from the prior year.

The Academy has also contracted with a commercial insurance carrier for professional liability insurance with a \$150,000 single occurrence limit and no deductible.

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 total monthly gross payroll by a factor determined by the Bureau of Worker's Compensation.

NOTE 8 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, and Vision Benefits - The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 80% of the monthly premium and the employee is responsible for the remaining 20%. For the fiscal year 2002, the Academy and the employees' premiums varied depending on family size and the ages of those covered.

Life Insurance - The Academy provides life insurance to all employees through a private carrier. Coverage in the amount of \$15,000 is provided for all certified and non-certified employees.

NOTE 9 - 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the Academy is required to contribute 14%; for fiscal year 2002, 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$6,128, \$3,246 and \$4,153, respectively; 85% has been contributed for fiscal year ended June 30, 2002 and 100% for fiscal years 2001 and 2000. The unpaid contribution is recorded as a liability as of June 30, 2002.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the Academy is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$21,625, \$23,511 and \$6,640, respectively; 100% has been contributed for fiscal years ended June 30, 2002, 2001 and 2000.

NOTE 10 - POST EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to 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 contribution rates are established by the Systems based on authority granted by State statute. Both Systems are on pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the Academy, this amount equaled \$10,243 during the 2002 fiscal year.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For fiscal year 2002, employer contributions to fund health care benefits was 8.54% of covered payroll, a decrease of 1.26% from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002 the minimum pay was established at \$12,400. For the Academy, the amount to fund health care benefits, including a surcharge of \$616, equaled \$10,201 during the 2002 fiscal year.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

NOTE 11 - LEASE AGREEMENTS

The Academy leases space under an agreement beginning August 2000 and terminating July 2002. Under this agreement, the Academy is to make 8 quarterly payments of \$5,000 for a total cost of \$40,000 for the use of its classrooms and offices. Payments for the year totaled \$20,000. (See Note 15.)

NOTE 12 - 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. 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, 2002.

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

NOTE 13 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 14 - LINE OF CREDIT

The Academy has available a revolving bank line of credit in the amount of \$25,000. Borrowings under the line bear interest at prime plus 2%. The Academy has an outstanding balance of \$25,000 on the line of credit at June 30, 2002, which is reflected on the Balance Sheet as Line of Credit Payable. Accrued interest totaled \$112 as of June 30, 2002.

The Academy has an additional line of credit in the amount of \$100,000 that was not used during 2002. Borrowings under this line bear interest of 9%, and is secured by the personal residence of the Director.

Contrary to Ohio Revised Code Section 3314.08 (J), the Academy had debt outstanding at year end that was secured by future State revenues.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

Notes to the financial statements
June 30, 2002

NOTE 15 - SUBSEQUENT EVENT

For fiscal year 2003, the Academy entered into a new lease agreement beginning August 5, 2002 and terminating August 12, 2004. Under this new agreement, the Academy is to make monthly payments of \$1,667 for the use of its classrooms and offices. At the end of the lease the Academy has the option to renew the lease agreement.

Subsequent to June 30, 2002, the Ohio Department of Education conducted a review of enrollment data and full time equivalency calculations made by the schools. These reviews are conducted to ensure that the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review resulted in an underpayment to the Academy in the amount of \$10,298. This amount is reflected as part of accounts receivable as of June 30, 2002.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Academy's line of credit is secured by the personal residence of the Director.

During the year, the Academy received a nine month loan for \$25,000 from the Director. Interest on the loan amounted to \$804 with an annualized interest rate of 4.28%. This loan was repaid during the fiscal year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Ida B. Wells Community Academy
Summit County
1180 Slosson Street
Akron, Ohio 44320

To the Board of Governors:

We have audited the financial statements of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) (a nonprofit corporation) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 2002-10977-001.

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. 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 December 11, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 11, 2002

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

FINDING NUMBER 2002-10977-001

Noncompliance Citation

Ohio Rev. Code Section 3314.08(J)

Community schools may issue debt; however, if the debt obligates, or is secured by, or repaid by the State monies received by the community school under Ohio Rev. Code Section 3314.08(D), then the debt must be issued in accordance with Ohio Rev. Code Section 3314.08(J) which states, in part, that "the school may issue notes to evidence such borrowing to mature no later than the end of the fiscal year in which such money was borrowed."

At June 30, 2002, the Academy had a \$25,112 balance outstanding, including \$112 of accrued interest, on its line of credit. These monies were borrowed and used for operating expenses and have no specific maturity date. Because the line of credit does not specifically exclude the Academy's Ohio Rev. Code Section 3314.08(D) funds from the general collateral provisions and is being repaid with State monies, this line of credit obligates the state foundation payments. Therefore, Ohio Rev. Code Section 3314.08(J) would apply.

We recommend that Ida B. Wells Community Academy officials take steps to monitor debt and determine there is no debt subject to Ohio Rev. Code Section 3314.08(J) at fiscal year end.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10977-001	Ohio Rev. Code Section 3314.08(J) "Outstanding Debt at Year End"	No	Not Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

IDA B. WELLS COMMUNITY ACADEMY

SUMMIT 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
FEBRUARY 18, 2003**