W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

W.E.B. DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Trustees:

We have audited the accompanying balance sheet of W.E.B. DuBois Academy, Hamilton County, Ohio (the School), as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 School as of June 30, 2003 and the results of its operations and cash flows for the year then ended, in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2004 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That reports 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.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133*, Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Betty Montgomery
Auditor of State

July 19, 2004

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

BALANCE SHEET
AS OF JUNE 30, 2003

Assets	
Current Assets	
Cash	$230,555
Intergovernmental Receivable	67,751
Total Current Assets	298,306
Non-Current Assets	
Fixed Assets (Net of Accumulated Depreciation)	326,550
Total Assets	$624,856
Liabilities & Fund Equity	
Current Liabilities	
Accounts Payable	$40,489
Accrued Wages & Benefits	28,643
Accrued Interest Payable	1,232
Intergovernmental Payable	2,976
Total Current Liabilities	73,340
Non-Current Liabilities	
Line of Credit	341,284
Total Liabilities	414,624
Fund Equity	
Retained Earnings	210,232
Total Liabilities & Fund Equity	$624,856

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

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ACCUMULATED DEFICIT/RETAINING EARNINGS FOR THE YEAR ENDED JUNE 30, 2003

Operating Revenues	
State Foundation	$1,526,252
State Special Education	61,182
Disadvantaged Pupil	117,353
FY 02 Funding Level Adjustment	69,488
Other	10,193
Total Operating Revenues	1,784,468
Operating Expenses	
Salaries	966,196
Fringe Benefits	85,737
Depreciation	59,924
Other	1,004,575
Total Operating Expenses	2,116,432
Operating Loss	(331,964)
Non-Operating Revenues/(Expenses)	
State Grants	44,544
Federal Grants	388,001
Other	151,506
Debt Interest	(14,526)
Total Non-Operating Revenues (Expenses)	569,525
Net Income	237,561
Accumulated Deficit, July 1, 2002	(27,329)
Retaining Earnings, June 30, 2003	$210,232

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

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Increase (Decrease) in Cash	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$1,774,275
Cash Payments to Suppliers for Goods and Services	(1,051,689)
Cash Payments to Employees for Salaries and Benefits	(1,135,650)
Cash Received from Other Operating Revenues	10,193
Net Cash Used for Operating Activities	(402,871)
Cash Flows from Noncapital Financing Activities	
Federal and State Grants	411,374
Other Non-operating revenue	148,173
Other Non-operating expenses	(14,771)
Net Cash Provided by Noncapital Financing Activities	544,776
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(28,666)
Net Cash Used for Capital and Related Financing Activities	(28,666)
Net Increase in Cash	113,239
Cash at Beginning of Year	117,316
Cash at End of Year	$230,555
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($331,964)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	59,924
Changes in Assets and Liabilities:	
Increase In Intergovernmental Receivable	(25,570)
Decrease in Accounts Payable	(47,114)
Decrease In Intergovernmental Payable	(49,557)
Decrease in Accrued Wages and Benefits	(8,590)
Total Adjustments	(70,907)
Net Cash Used for Operating Activities	($402,871)

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

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

W.E.B. DuBois Academy, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code, Chapters 3314 and 1702 to provide an appropriate education facility and program for all age groups and to provide instruction in courses which meet general educational requirements compatible with and approved by the State of Ohio. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The creation of the School was initially proposed to the State Board of Education of Ohio, the sponsor, by the W.E.B. DuBois Academy on March 14, 2000. The State Board of Education approved the proposal and entered into a contract with the Board of Trustees of the School. The contract provided for the commencement of School operations on July 1, 2000. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The charter agreement with the sponsor required the school to develop a nonprofit corporation. Equal Playing Field Corporation was incorporated under Chapter 1702 of the Ohio Rev. Code on August 23, 1999, as the not for profit corporate board of W.E.B. DuBois Academy. Equal Playing Field meets once a year to reappoint the Board of Trustees of the School and to give them the authority to make all decisions for the school. During fiscal year 2002, W.E.B. DuBois Academy entered into contracts, signed agreements, issued debt, and conducted business under the name of Equal Playing Field. Two of the board members for Equal Play Field are also board members of W.E.B. DuBois Academy. Also see Note 14 regarding the School's Federal tax status.

The fiscal operations of the School are under a seven-member board which is directed by the President of the Board. This board is responsible for formulating policies regarding fiscal operations and monitoring the expenditure of funds. The School's Treasurer also serves as the Chief Financial Officer of the School. The Treasurer is responsible for directing the financial affairs of the School including accounting purchasing, insurance, housekeeping and maintenance and is responsible for reporting the progress of the School against those responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 School 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise Accounting

The School uses enterprise accounting to report its financial activities. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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 (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 Rev. Code, Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

D. Cash

All monies received by the School are accounted for by the School's Treasurer. For cash management, all cash received by the Treasurer is deposited within two different bank accounts.

The School had no investments during the fiscal year.

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 dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure.

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

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Leasehold improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, Disadvantaged Pupil Impact Aid (DPIA), and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

3. DEPOSITS

At June 30, 2003, the carrying amount of the School's deposits was $230,555. The bank balance was $245,266. Of the bank balance $100,000 was covered by federal depository insurance. The remaining $145,266 was not insured or collateralized.

4. RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental (e.g. federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

5. FIXED ASSETS

A summary of the School's fixed assets at June 30, 2003, follows:

Furniture and Equipment	$ 60,862
Vehicles	14,785
Leasehold Improvement	537,438
Less: accumulated depreciation	(286,535)
Net Fixed Assets	$326,550

6. OPERATING LEASE

The School has a five-year lease with Camp Washington Community Board, Inc. for 11,000 square feet of building space to be used for educational and administrative purposes. In fiscal year 2003, the School paid $60,000 for their lease. There was an additional charge for utilities of $12,635. There was also an addition charge of $5,000 for not meeting other requirements of the lease agreement. The School has an option to renew the lease for an additional two years at $60,000 per year. This option is contingent on their Sponsor's yearly renewal of their charter agreement. The School renewed their lease for fiscal year 2004.

7. DEBT

The School held the following debt during the fiscal year:

- The School entered into a line of credit with PNC Bank with a limit of $200,000, dated June 23, 2000 and expiring on June 1, 2001. Three extensions have been received since the original maturity date for October 3, 2002, March 31, 2003, and March 31, 2004. The interest rate on the line of credit was at prime and payable monthly, initiating at 9.50% per annum for fiscal year 2001, and 4.75% per annum for fiscal year 2002. At June 30, 2003, the interest rate was 4.25% per annum, with a balance due of $197,950. This line of credit is collateralized by the assets of the School.

- The School entered into a line of credit with PNC Bank with a limit of $200,000, dated April 3, 2001 and expiring on October 3, 2002. This line of credit requires the School to make eleven consecutive monthly principal payments of $3,333, beginning on November 3, 2001, and one final principal payment of $164,422 at the expiration date. Three extensions have been received since the original maturity date for October 3, 2002, March 31, 2003, and March 31, 2004. The interest rate on the line of credit was at prime initiating at 8.00% per annum for fiscal year 2001, and 4.75% per annum for fiscal year 2002. At June 30, 2003, the interest rate was 4.25% per annum, with a balance $143,334. This line of credit is collateralized by the assets of the School.

8. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the School contracted with Monroe Guaranty Insurance Company for property insurance. There is a $500 deductible with a $100,000 limit. General liability coverage has a $1,000,000 single occurrence limit and $2,000,000 aggregate and no deductible.

Employee dishonesty is protected by Monroe Guaranty Insurance Company with a $10,000 blanket bond.

There were no settlements that exceeded insurance coverage for the year.

B. Employee Medical, Dental, and Vision Benefits

The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 100% of the monthly premium.

C. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were $29,029, $19,062, and $7,460 respectively; Ninety-five percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. For fiscal year 2003, $2,258 represents the unpaid contribution and was recorded as an intergovernmental payable liability.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

9. DEFINED BENEFIT PENSION PLANS (Continued)

A DB 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. 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.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were $77,232, $35,892 and $18,226 respectively; 128% percent has been contributed for fiscal year 2003, 100 percent has been contributed for fiscal year 2002 and 2001. $25,570 represents overpayment of contribution for fiscal year 2003, and is recorded as a intergovernmental receivable.

10. POST EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost 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 percent of covered payroll. For the year ended June 30, 2003, the board allocates employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $20,715.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002 (the latest information available) the balance in the Fund was $3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were $354,697,000 and STRS had 105,300 eligible benefits recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levied a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has

10. POST EMPLOYMENT BENEFITS (Continued)

been established at $14,500. For the School, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled $5,941.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were $182,946,777 and the target level was $274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits was $335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

11. OTHER EMPLOYEE BENEFITS

Insurance Benefits

The School provides life insurance to all employees through a private carrier. Coverage in the amount of $15,000 is provided for all certified and noncertified employees.

12. 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 School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

13. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could be 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 adverse effect on the overall financial position of the School at June 30, 2003.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (e.g., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. **The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and oral arguments were presented on November 18th, 2003.**

13. CONTINGENCIES (Continued)

C. State Funding

The Ohio Department of Education (ODE) conducts reviews of 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. The results of these reviews resulted in adjustments to state funding. For the year ended June 30, 2003, ODE determined it underpaid the school $16,559, to be repaid during fiscal year 2004. This amount is included in intergovernmental receivable on the balance sheet.

14. FEDERAL EXEMPT STATUS

The School has obtained its 501(c)(3) tax exempt status under the name of Equal Playing Field. 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.

15. NONCOMPLIANCE

The School did not properly classify their expenditures as required by Ohio Revised Code, Section 3314.03(A)(11)(d).

W.E.B. DUBOIS ACADEMY

HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	05-PU-02	10.553	$19,136	$19,136
	05-PU-03	10.553	26,861	26,861
Total School Breakfast Program			45,997	45,997
National School Lunch Program	LL-P1-02	10.555	9,568	9,568
	LL-P1-03	10.555	12,608	12,608
	LL-P4-02	10.555	34,232	34,232
	LL-P4-03	10.555	49,303	49,303
Total National School Lunch Program			105,711	105,711
Total U.S. Department of Agriculture - Nutrition Cluster			**151,708**	**151,708**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States				
(IDEA Part B)	6B-SF-02	84.027	17,120	18,560
	6B-SF-03	84.027	23,799	32,986
Total IDEA Part B Grant			40,919	51,546
Total Special Education Cluster			40,919	51,546
Grants to Local Educational Agencies				
(ESEA Title I)	C1-S1-02	84.010	21,010	21,010
	C1-S1-03	84.010	116,426	116,426
Total ESEA Title I			137,436	137,436
Drug-Free Schools Grant	DR-S1-02	84.186	580	580
	DR-S1-03	84.186	590	383
Total Drug-Free Schools Grant			1,170	963
Eisenhower Prof. Dev. State Grant	MS-S1-02	84.281	251	0
Innovative Education Program Strategies	C2-S1-03	84.298	1,126	1,606
Classroom Size Reduction Grant	CR-S1-02	84.340	639	639
Improving Teacher Quality Grant (Title II-A)	TR-S1-03	84.367	30,392	31,043
Technology Literacy Challege Grant (Title II-D)	TJ-S1-03	84.318	3,188	3,183
Total U.S. Department of Education			**215,121**	**226,416**
Total Federal Assistance			**$366,829**	**$378,124**

The accompanying notes are an integral part of this schedule.

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The Schedule has been prepared on the cash basis of accounting.

Auditor of State
Betty Montgomery

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

W.E.B. DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Trustees:

We have audited the financial statements of W.E.B. DuBois Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2003 and have issued our report thereon dated July 19, 2004. 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 School'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 2003-001. We also noted an immaterial instance of noncompliance that we have reported to management of the School in a separate letter dated July 19, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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www.auditor.state.oh.us

We also 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 School in a separate letter dated July 19, 2004.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

July 19, 2004

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

W.E.B. DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Trustees:

We have audited the compliance of W.E.B. DuBois Academy, Hamilton County, Ohio (the School), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as 2003-005 and 2003-006.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery
Auditor of State

July 19, 2004

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, CFDA# 10.553 & 10.555 Title I, CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Material Noncompliance/Reportable Condition

Ohio Revised Code, Section 3314.03(A)(8), prescribes that each school maintain its records in the same manner as financial records of school districts. These requirements are set forth in Ohio Admin. Code Section 117-6-01(B), and requires the use of the Uniform School Accounting System (USAS). This system involves an account structure with strict dimension. To meet these requirements it is necessary for schools to maintain their financial records at specific minimal level of detail for each dimension.

The School did not maintain its financial records in a manner which would allow for proper classification of its $1,004,575 purchase services acquired during the year.

FINDING NUMBER 2003-002

Reportable Condition

The School did not have sufficient monitoring controls in place. The School should develop additional monitoring controls and implement these controls to ensure that material misstatements do not occur. Monitoring controls comprise of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or can be in a more overview nature.

Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of budget and actual figures;
- Review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of unusual or significant items, long outstanding items, etc.;
- Ensuring an adequate segregation of duties exist; and
- Review of monthly reconciliations.

FINDING NUMBER 2003-003

Reportable Condition

The following deficiencies related to the purchasing cycle were identified:

- Purchase orders were not approved by Business Manager and the Superintendent;
- Supporting documentation was not maintained for 3.5% of the purchases reviewed; and
- Monthly bank reconciliations were not reviewed and approved by management.

These weaknesses could result in misstatements in the financial records, the unauthorized purchase of goods or services, or the misappropriation of school assets.

A favorable control environment for the processing of non-payroll disbursements may include, but are not limited to:

- Prior authorization of a purchase through the use of a purchase orders that are approved by appropriate members of management and that include appropriate coding for the expenditures;
- Accumulation of appropriate supporting documentation (original invoices) prior to authorization for payment;
- Detailed review of the invoice indicating description goods/services received;
- Matching of invoice with purchase order and copy of check to ensure all supporting documentation Agrees prior to payment;
- Review of check used to pay the purchase to ensure that the payee, amount, address, etc. on the check agree to the invoice;
- Review of expenditures as posted to the expenditure ledger to verify that the appropriate coding was utilized for payment; and
- Monthly Bank reconciliation completed and reviewed by management.

FINDING NUMBER 2003-004

Reportable Condition

The following control weaknesses were identified for the payroll cycle:

- Time sheets were not completed or approve by management for hourly (non-salary) employees;
- Leave forms were not used to track the usage and accrual of leave balances; and
- The payroll bank account was not reconciled monthly.

The School should develop and implement a policy and set of procedures to follow when processing payroll transactions. Such procedures should include:

- Completion of time sheet for all hourly (non-salary) employees, which should be approved by a member of management;
- Completion of leave forms by all employees, to document leave time used;
- Monthly bank reconciliation completed and reviewed by management.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2003-005

Reportable Condition

Finding Number	2003-005
CFDA Title and Number	Nutrition Cluster #10.553 & 10.555 Title I, # 84.010
Federal Award Number/Year	2003
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

The purchasing cycle control weaknesses described in finding number 2003-003 also relate to the Nutrition Cluster and the Title I grants.

FINDING NUMBER 2003-006

Reportable Condition

Finding Number	2003-006
CFDA Title and Number	Nutrition Cluster #10.553 & 10.555 Title I, # 84.010
Federal Award Number/Year	2003
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

The payroll cycle control weaknesses described in finding number 2003-004 also relate to the Nutrition Cluster and the Title I grants.

W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
JUNE 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-10431-001	Material Noncompliance & Reportable Condition: Debt issue extended beyond fiscal year end.	No	Finding No longer applies.
2002-10431-002	Reportable Condition: Effective monitoring control system not implemented	No	Partially Corrected; Reissued as Finding 2003-002.
2002-10431-003	Material Weakness: No fixed asset system	No	Partially Corrected; Reissued in management letter
2002-10431-004	Reportable Condition: Lack of controls over payroll cycle	No	Partially Corrected; Reissued as Finding 2003-004.
2002-10431-005	Reportable Condition: Lack of controls over purchasing cycles.	No	Partially Corrected; Reissued as Finding 2003-003.
2002-10431-006	Reportable Condition: Lack of controls over payroll cycle	No	Partially Corrected; Reissued as Finding 2003-006.
2002-10431-007	Reportable Condition: Lack of controls over purchasing cycles.	No	Partially Corrected; Reissued as Finding 2003-005.

Auditor of State
Betty Montgomery

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W.E.B. DUBOIS ACADEMY

HAMILTON 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
AUGUST 5, 2004