



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

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the Balance Sheet of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of June 30, 2003, and the related Statement of Revenue, Expenses, and Changes in Retained Earnings and Statement 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, 2003, 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 May 12, 2004 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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

May 12, 2004

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

**BALANCE SHEET  
AS OF JUNE 30, 2003**

**ASSETS**

**Current assets:**

Cash	\$ 10,943
Receivables:	
Accounts	38
State and federal grants	20,898
Prepaid expenses	796
Total current assets	<u>32,675</u>

**Noncurrent assets:**

Fixed assets, net of accumulated depreciation	<u>44,075</u>
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**Total assets** \$ 76,750

**LIABILITIES AND FUND EQUITY**

**Current liabilities:**

Accounts payable	\$ 25,507
Accrued wages and benefits	14,138
Compensated absences payable	5,172
Accrued interest payable	88
Line of credit payable	16,000
Total current liabilities	<u>60,905</u>

**Fund equity**

Retained earnings, unreserved	<u>15,845</u>
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**Total liabilities and fund equity** \$ 76,750

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 RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Operating revenues**

State foundation	\$ 558,006
Sales	6,256
Other operating revenues	82,371
Total operating revenue	646,633

**Operating expenses**

Salaries	420,486
Fringe benefits	124,930
Purchased services	106,952
Materials and supplies	37,506
Insurance	9,823
Rent	20,000
Depreciation	15,625
Other	161
Total operating expenses	735,483

**(88,850)**

**Non-operating revenues (expenses)**

State and Federal grants	73,971
Interest expense	(890)
Net non-operating revenues (expenses)	73,081

**(15,769)**

Retained earnings at beginning of year	31,614
Retained earnings at end of year	<b>\$ 15,845</b>

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, 2003**

**Increase (decrease) in cash**

**Cash flows from operating activities:**

Cash from the State of Ohio	\$ 557,480
Cash payments to suppliers for goods and services	(169,680)
Cash payments to employees for services and benefits	(534,234)
Cash payment for other operating expenses	(161)
Other operating revenues	88,865
	(57,730)

**Cash flows from noncapital financing activities:**

State and Federal grants	76,057
Line of credit and loan proceeds	23,988
Line of credit and loan repayments	(33,133)
	66,912

**Cash flows from capital and related financing activities:**

Cash payments from capital acquisitions	(9,590)
Interest payments	(769)
	(10,359)

Net decrease in cash	(1,177)
Cash at beginning of year	12,120
Cash at end of year	\$ 10,943

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

Operating loss	\$ (88,850)
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**Adjustments to reconcile operating loss to net cash used for operating activities:**

Depreciation	15,625
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	10,536
Prepaid expenses	764
Increase (decrease) in liabilities:	
Accounts payable	(3,425)
Compensated absences payable	4,006
Accrued wages and benefits	3,614
Total adjustments	31,120
Net cash used for operating activities	\$ (57,730)

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

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

Notes to the financial statements  
June 30, 2003

**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 3 non-certified and 10 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. The Academy does not implement Financial Accounting Standards Board statement and interpretations issued after November 30, 1989.

**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, 2003  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

Cash received by the Academy is maintained in a demand deposit account.

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 we 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:

Non-Reimbursable Grants

- Management Information Systems
- SchoolNet Professional Development
- Title II
- Title I
- Title VI
- Title IV
- Title VI-R
- Title VI-B

Reimbursable Grants

- National School Lunch Program

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

Notes to the financial statements  
June 30, 2003  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Intergovernmental Revenues (Continued)**

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.

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 \$10,943 and the bank balance was \$31,955. All of the bank balance was covered by federal depository insurance.

**NOTE 4 - STATE AND FEDERAL GRANTS RECEIVABLE**

Receivables at June 30, 2003 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, 2003  
(Continued)

**NOTE 4 - STATE AND FEDERAL GRANTS RECEIVABLE (Continued)**

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

Title I	\$ 9,836
Title IV	699
Title VI	1,019
Title VI-B	398
Title VI-R	1,757
Title II-D	75
Lunch reimbursement	<u>7,114</u>
	<u>\$ 20,898</u>

**NOTE 5 - FIXED ASSETS AND DEPRECIATION**

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

Furniture, Fixtures and Equipment	\$ 63,554
Leasehold Improvements	<u>17,617</u>
Subtotal	81,171
Less: Accumulated Depreciation	<u>(37,096)</u>
Net Fixed Assets	<u>\$ 44,075</u>

**NOTE 6 - PURCHASED SERVICES**

For the period July 1, 2002 through June 30, 2003, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$ 27,730
Food Service	41,838
Student Transportation	2,430
Utilities	18,824
Advertising	6,482
Other	<u>9,648</u>
Total	<u>\$ 106,952</u>

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

Notes to the financial statements  
June 30, 2003  
(Continued)

**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 2003, 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 2003, 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 2003, 8.17% 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, 2003, 2002, and 2001 were \$9,919, \$6,128 and \$3,246, respectively; 86% has been contributed for fiscal year ended June 30, 2003 and 100% for fiscal years 2002 and 2001. The unpaid contribution is recorded as a liability as of June 30, 2003.

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

Notes to the financial statements  
June 30, 2003  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**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.

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.

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 became 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.

Plan members are required to contribute 9.3% of their annual covered salary and the Academy is required to contribute 14%; 13% 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, 2003, 2002, and 2001 were \$38,927, \$21,625 and \$23,511, respectively; 95% has been contributed for fiscal year ended June 30, 2003 and 100% for fiscal years 2002 and 2001. The unpaid contribution is recorded as a liability as of June 30, 2003.

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

Notes to the financial statements  
June 30, 2003  
(Continued)

**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 1% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the Academy, this amount equaled \$2,994 during the 2003 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 2003, employer contributions to fund health care benefits was 5.83% of covered payroll, a decrease of 2.71% from fiscal year 2002. 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 2003 the minimum pay was established at \$14,500. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million.

At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the Academy, the amount to fund health care benefits, including a surcharge of \$1,357, equaled \$8,435 during the 2003 fiscal year.

**NOTE 11 - LEASE AGREEMENTS**

The Academy leases space under an agreement beginning August 5, 2002 and terminating August 12, 2004. Under this 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. 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, 2003.

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

Notes to the financial statements  
June 30, 2003  
(Continued)

**NOTE 12 – CONTINGENCIES (Continued)**

**LITIGATION** - A lawsuit 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. 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 the case was heard for oral argument on November 18, 2003. The affect 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 School 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 \$16,000 on the line of credit at June 30, 2003, which is reflected on the Balance Sheet as Line of Credit Payable. Accrued interest totaled \$88 as of June 30, 2003.

**NOTE 15 - SUBSEQUENT EVENT**

For fiscal year 2004, the Academy entered into a new lease agreement beginning August 13, 2003 and terminating August 12, 2005. Under this new agreement, the Academy is to make monthly payments of \$1,958 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, 2003, 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 overpayment to the Academy in the amount of \$6,349. This amount is reflected as part of accounts payable as of June 30, 2003 and will be repaid through the reduction of future foundation payments.



**Auditor of State  
Betty Montgomery**

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

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

We have audited the financial statements of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 12, 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 Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Academy in a separate letter dated May 12, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 May 12, 2004.

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Ida B. Wells Community Academy  
Summit County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by Government Auditing Standards  
Page 2

This report is intended for the information and use of the audit committee, management, Board of Governors, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 12, 2004

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid; <b>Explain:</b></u>
2002-001	Ohio Rev. Code Section 3314.08(J) "Outstanding Debt at Year End"	Yes	Change in ORC for Community Schools.

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**Auditor of State  
Betty Montgomery**

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**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  
JULY 1, 2004**