



**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 Slosson Street  
Akron, Ohio 44320

To the Board of Governors:

We have audited the accompanying basic financial statements of the Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the years ended June 30, 2004 and 2003, as listed in the Table of Contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, Ohio, as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the Academy implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2005, 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 grant agreements and other matters for the year ended June 30, 2004. We previously issued a 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 for the year ended June 30, 2003. While we did not opine on the internal control over financial reporting or on compliance, these reports describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read them in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

July 8, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

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This discussion and analysis of the Ida B. Wells Community Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2004. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis ("the MD & A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD & A.

**Highlights**

Key financial highlights for fiscal year 2004 are as follows:

- Total net assets decreased \$1,368 in fiscal year 2004, which represents a 9 percent decrease from fiscal year 2003, as a result of significant decreases in revenues from various federal, state and local grant programs.
- Total assets decreased \$17,379 which represents a 23 percent decrease from the prior year. The decrease is primarily due to decreases in cash held by the School and capital assets recorded at the end of the fiscal year.
- Total liabilities decreased \$16,011 which represents a 26 percent decrease from the prior year. The decrease is primarily due to retiring a line of credit.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The balance sheet and the statement of revenues, expenses, and changes in net assets reflect how the Academy did financially during the fiscal year ended June 30, 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Academy has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

Table 1 provides a summary of the Academy's net assets as of June 30, 2004 compared to 2003:

*Table 1  
Net Assets*

	<u>Net Assets</u>	
	<u>2004</u>	<u>2003</u>
<b>Assets:</b>		
<i>Current and other assets</i>	\$ 30,662	\$ 32,675
<i>Capital assets, net of depreciation</i>	<u>28,709</u>	<u>44,075</u>
<i>Total assets</i>	<u>59,371</u>	<u>76,750</u>
<b>Liabilities:</b>		
<i>Current and other liabilities</i>	<u>44,894</u>	<u>60,905</u>
<i>Total liabilities</i>	<u>44,894</u>	<u>60,905</u>
<b>Net Assets:</b>		
<i>Invested in capital assets, net of debt</i>	28,709	44,075
<i>Restricted</i>	19,958	25,247
<i>Unrestricted</i>	<u>(34,190)</u>	<u>(53,477)</u>
<i>Total net assets</i>	<u>\$ 14,477</u>	<u>\$ 15,845</u>

Total assets were \$59,371. Cash amounted to \$2,654, accounts receivable amounted to \$27, intergovernmental receivable amounted to \$27,981, and net capital assets totaled \$28,709.

Total liabilities were \$44,894. Accounts payable equaled \$28,718, accrued wages and benefits totaled \$15,561, and compensated absences payable was \$615.

The net impact was a decrease of net assets equal to \$1,368.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2004 and 2003, as well as a listing of revenues and expenses.

*Table 2  
Changes in Net Assets*

	2004	2003
<b>Operating revenues:</b>		
Foundation payment	\$ 741,942	\$ 558,006
Sales	1,455	6,256
Other operating revenues	12,071	82,371
<b>Non operating revenues:</b>		
State and Federal grants	174,672	73,971
Total revenues	930,140	720,604
<b>Operating expense:</b>		
Salaries	444,929	420,486
Fringe benefits	141,870	124,930
Purchased services	183,574	106,952
Materials and supplies	110,854	37,506
Insurance	9,681	9,823
Rent	23,121	20,000
Depreciation	15,366	15,625
Other	1,984	161
<b>Non operating expenses:</b>		
Interest expense	129	890
Total expenses	931,508	736,373
<b>Change in net assets</b>	<b>\$ (1,368)</b>	<b>\$ (15,769)</b>

Community schools did not receive support from local taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are the primary support for the Academy.

**Budgeting**

The Academy is not required to follow the budgetary provision set forth in Ohio Revised Code Chapter 5705.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

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**Capital Assets**

The Academy had \$28,709 invested in capital assets (net of accumulated depreciation). Capital assets consist of \$17,617 in leasehold improvements and \$63,554 in furniture, fixtures and equipment. These capital assets were off-set by \$52,462 in accumulated depreciation resulted in net capital assets of \$28,709. See Note 6 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

**Debt**

The Academy did not incur any debt during the fiscal year ended June 30, 2004.

**Current Financial Issues**

The Ida B. Wells Academy was formed in 1999 and the fiscal year 2000 was the first year of operation. During the 2003 – 2004 school year, there were approximately 98 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2004 amounted to \$7,571 per pupil.

**Contacting the Academy's Financial Management:**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact Angie Neeley, Treasurer, at Ida B. Wells Community Academy, 1180 Slosson Street, Akron, Ohio 44320.

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

**BALANCE SHEETS  
AS OF JUNE 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b><u>ASSETS</u></b>		
<b><u>Current assets:</u></b>		
Cash	\$ 2,654	\$ 10,943
Receivables:		
Accounts	27	38
State and federal grants	27,981	20,898
Prepaid expenses	-	796
Total current assets	30,662	32,675
<b><u>Noncurrent assets:</u></b>		
Capital assets, net of accumulated depreciation	28,709	44,075
<b>Total assets</b>	<b>\$ 59,371</b>	<b>\$ 76,750</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current liabilities:</u></b>		
Accounts payable	\$ 28,718	\$ 25,507
Accrued wages and benefits	15,561	14,138
Compensated absences payable	615	5,172
Accrued interest payable	-	88
Line of credit payable	-	16,000
<b>Total current liabilities</b>	<b>44,894</b>	<b>60,905</b>
<b><u>Net assets:</u></b>		
Invested in capital assets	28,709	44,075
Restricted	19,958	25,247
Unrestricted	(34,190)	(53,477)
Total net assets	14,477	15,845
<b>Total liabilities and net assets</b>	<b>\$ 59,371</b>	<b>\$ 76,750</b>

See accompanying notes to the financial statements.

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

**STATEMENTS OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b><u>Operating revenues:</u></b>		
State foundation	\$ 741,942	\$ 558,006
Sales	1,455	6,256
Other operating revenues	12,071	82,371
Total operating revenue	755,468	646,633
<b><u>Operating expenses:</u></b>		
Salaries	444,929	420,486
Fringe benefits	141,870	124,930
Purchased services	183,574	106,952
Materials and supplies	110,854	37,506
Insurance	9,681	9,823
Rent	23,121	20,000
Depreciation	15,366	15,625
Other	1,984	161
Total operating expenses	931,379	735,483
<b>Operating loss</b>	<b>(175,911)</b>	<b>(88,850)</b>
<b><u>Non-operating revenues (expenses):</u></b>		
State and Federal grants	174,672	73,971
Interest expense	(129)	(890)
Net non-operating revenues (expenses)	174,543	73,081
<b>Net income (loss)</b>	<b>(1,368)</b>	<b>(15,769)</b>
Net assets at beginning of year	15,845	31,614
Net assets at end of year	<b>\$ 14,477</b>	<b>\$ 15,845</b>

See accompanying notes to the financial statements.

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Decrease in cash</b>		
<b>Cash flows from operating activities:</b>		
Cash from the State of Ohio	\$ 735,593	\$ 557,480
Cash payments to suppliers for goods and services	(283,954)	(169,680)
Cash payments to employees for services and benefits	(590,847)	(534,234)
Cash payment for other operating expenses	(33,990)	(161)
Other operating revenues	13,537	88,865
Net cash used for operating activities	<u>(159,661)</u>	<u>(57,730)</u>
<b>Cash flows from noncapital financing activities:</b>		
State and Federal grants	167,589	76,057
Line of credit and loan proceeds	-	23,988
Line of credit and loan repayments	(16,000)	(33,133)
Line of credit and loan interest payments	(217)	-
Net cash provided by noncapital financing activities	<u>151,372</u>	<u>66,912</u>
<b>Cash flows from capital and related financing activities:</b>		
Cash payments from capital acquisitions	-	(9,590)
Interest payments	-	(769)
Net cash used for capital and related financing activities	<u>-</u>	<u>(10,359)</u>
Net decrease in cash	(8,289)	(1,177)
Cash at beginning of year	<u>10,943</u>	<u>12,120</u>
Cash at end of year	<u>\$ 2,654</u>	<u>\$ 10,943</u>
<b><u>Reconciliation of operating loss to net cash used for operating activities:</u></b>		
Operating loss	<u>\$ (175,911)</u>	<u>\$ (88,850)</u>
<b><u>Adjustments to reconcile operating loss to net cash used for operating activities:</u></b>		
Depreciation	15,366	15,625
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	11	10,536
Prepaid expenses	796	764
Increase (decrease) in liabilities:		
Accounts payable	3,211	(3,425)
Compensated absences payable	(4,557)	4,006
Accrued wages and benefits	1,423	3,614
Total adjustments	<u>16,250</u>	<u>31,120</u>
Net cash used for operating activities	<u>\$ (159,661)</u>	<u>\$ (57,730)</u>

See accompanying notes to the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Ida B. Wells Community Academy (the Academy) is a nonprofit §501(c)(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 has been approved for operation under an annual contract with the Lucas County Educational Service Center (Sponsor). This contract renews for additional one-year terms from July 1 to June 30, unless either party has given advance written notice of at least 90 days. This sponsorship contract replaced a prior sponsorship contract with the Ohio Department of Education, effective November 1, 2003. The Academy operates under a self-appointing, eight-member Board of Governors (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 7 non-certified and 15 certified full-time teaching personnel who provide services to 98 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 (FASB) statements and interpretations issued on or before November 30, 1989, to its basic financial statements provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

**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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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**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.

**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 Lucas County Educational Center, does not prescribe a budgetary process for the Academy.

**D. Cash**

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

**E. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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**G. Accrued Liabilities Payable**

The School has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2004, including:

- 1) **Accrued wages and benefits payable** – salary payments made after year-end that were for services rendered in fiscal year 2004. A liability has been recognized at June 30, 2004 for all salary payments made to teaching personnel during the month of July 2004. Payments for the employer’s share of the retirement contribution, excess receipts of foundation payments, workers’ compensation and Medicare associated with services rendered during fiscal year 2004, were paid in the subsequent fiscal year.
- 2) **Compensated absences payable** – vacation benefits are accrued as a liability and the benefits are earned if employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The school records a liability for accumulated unused vacation time when earned.

**H. Tax Exemption Status**

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes a tax-exempt organization under Section §501(c)(3) of the Internal Revenue Code.

**I. Net Asset**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the Academy has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, and GASB Statement No. 38, “Certain Financial Statement Note Disclosures”. GASB 34 creates new basic financial statements for reporting on the School financial activities and requires the inclusion of the Management Discussion and Analysis (MD&A) section which provides a narrative introduction and overview of the financial statements to enhance the users ability to interpret the information within the statements. Except for the addition of the MD&A the implementation of GASB Statement No. 34 has not had a significant impact on the schools financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

**NOTE 4 - DEPOSITS**

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

At fiscal year end, the carrying amount of the Academy's deposits was \$2,654 and the bank balance was \$33,605. All of the bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**NOTE 5 - STATE AND FEDERAL GRANTS RECEIVABLE**

Receivables at June 30, 2004 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.

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

<i>Title I</i>	\$	15,683
<i>Title IV</i>		1,946
<i>Title VI-B</i>		2,349
<i>Title II-A</i>		1,257
<i>Title II-D</i>		762
<i>Lunch reimbursement</i>		5,984
		5,984
	\$	27,981

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

A summary of the Academy's fixed assets at June 30, 2004, follows:

	<i>Balance 6/30/2003</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance 6/30/2004</i>
<i>Furniture, Fixtures and Equipment</i>	\$ 63,554	\$ -	\$ -	\$ 63,554
<i>Leasehold Improvements</i>	17,617	-	-	17,617
<i>Subtotal</i>	81,171	-	-	81,171
<i>Less: Accumulated Depreciation</i>	(37,096)	(15,366)	-	(52,462)
<i>Net Fixed Assets</i>	\$ 44,075	\$ (15,366)	\$ -	\$ 28,709

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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**NOTE 7 - PURCHASED SERVICES**

For the period July 1, 2003 through June 30, 2004, purchased service expenses were payments for services rendered by various vendors as follows:

<i>Professional Services</i>	\$ 68,965
<i>Building Maintenance</i>	13,026
<i>Travel and Meeting Expenses</i>	20,870
<i>Educational</i>	26,488
<i>Food Service</i>	8,848
<i>Audit</i>	11,837
<i>Utilities</i>	18,588
<i>Advertising</i>	12,838
<i>Other</i>	<u>2,114</u>
<i>Total</i>	<u>\$ 183,574</u>

**NOTE 8 - 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 2004, 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 Workers' Compensation.

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**A. 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 2004, the Academy and the employees' premiums varied depending on family size and the ages of those covered.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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**B. 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 10 - 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, annual cost-of-living adjustments, 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, stand alone 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, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2003, 8.17% was 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 Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$22,104, \$9,919 and \$6,128, respectively; 47.5% has been contributed for fiscal year ended June 30, 2004 and 100% for fiscal years 2003 and 2002. The unpaid contribution is recorded as a liability as of June 30, 2004.

**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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone 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 43215-3371, by calling (614) 227 - 4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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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.

For the fiscal year ended June 30, 2004 plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$45,277, \$38,927, and \$21,625, respectively; 80% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$8,937, representing the unpaid contribution for fiscal year 2004, is recorded as a liability. Contributions to the DC and Combined plans for fiscal year 2004 were \$2,919 made by the Academy and \$2,780 made by the plan members.

**NOTE 11 - POST EMPLOYMENT BENEFITS**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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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 retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Academy this amount equaled \$3,483 during the 2004 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll.

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, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the Academy, the amount of employer contributions used to fund health care equaled \$13,744, which includes a surcharge of \$1,804 during the 2004 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits were \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

**NOTE 12 - LEASE AGREEMENTS**

The Academy leases space under an agreement beginning August 13, 2003 and terminating August 12, 2005. Under this 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. Payments for the year totaled \$23,121.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003**

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**B. 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. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational systems and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Academy is not presently determinable.

**NOTE 14 - 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 15 - SUBSEQUENT EVENT**

Subsequent to June 30, 2004 the Academy received a revolving bank line of credit in the amount of \$25,000. Borrowings under the line currently bear an interest rate of 6%.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 basic financial statements of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the years ended June 30, 2004 and 2003, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 8, 2005, wherein we noted the Academy implemented Governmental Accounting Standards Board Statement No. 34. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated July 8, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Academy's management dated July 8, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management and the Board of Governors. It is not intended for 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

July 8, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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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  
SEPTEMBER 22, 2005**