



**Auditor of State
Betty Montgomery**

**WRIGHT-DUNBAR TECHNOLOGY ACADEMY
MONTGOMERY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wright-Dunbar Technology Academy
Montgomery County
120 Knox Avenue
Dayton, Ohio 45427

To the Board of Governance:

We were engaged to audit the accompanying basic financial statements of Wright-Dunbar Technology Academy, Montgomery County, (the Academy), as of and for the period August 9, 2004, through June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

We were unable to obtain sufficient evidential matter as to the Academy's revenues, expenses, and fund balances during the period of August 9 through December 31, of the fiscal year ending June 30, 2005, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures.

Because of the lack of sufficient competent evidential matter, and we were unable to apply other auditing procedures regarding operating revenues and expenses as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements referred to in paragraph 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2006, on our consideration of the Center'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our engagement.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 23, 2006

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**WRIGHT-DUNBAR TECHNOLOGY ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 9, 2004 THROUGH JUNE 30, 2005
(UNAUDITED)**

The discussion and analysis of Wright-Dunbar Technical Academy (the Academy) financial performance provides an overall view of the Academy's financial activities for the period October 1, 2004 to June 30, 2005. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance. This is the initial period of operations for the Academy.

Financial Highlights

- Total Assets were \$25,743.
- Total Liabilities were \$13,663.
- Total Net Assets were \$12,080.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2005?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets at June 30, 2005. As this is the initial period of operation, comparisons to the prior period is not made:

**(Table 1)
Net Assets**

<hr/>	
Assets	
Current Assets	\$23,423
Capital Assets, Net	<u>2,320</u>
Total Assets	<u><u>25,743</u></u>
Liabilities	
Current Liabilities	<u>13,663</u>
Total Liabilities	<u>13,663</u>
Net Assets	
Invested in Capital Assets	2,320
Unrestricted	<u>9,760</u>
Total Net Assets	<u><u>\$12,080</u></u>

**WRIGHT-DUNBAR TECHNOLOGY ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 9, 2004 THROUGH JUNE 30, 2005
(UNAUDITED)
(Continued)**

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding.

**Table 2
Change in Net Assets**

Operating Revenue	
Foundation Payments	\$208,506
Special Education	1,168
Total Operating Revenues	209,674
Operating Expenses	
Salaries	89,016
Fringe Benefits	17,266
Purchased Services	82,029
Materials and Supplies	8,415
Depreciation Expense	80
Other Operating Expense	3,788
Total Operating Expenses	200,594
Non-Operating Revenues and (Expenses)	
Operating Grants - State	3,000
Total Non-Operating Revenues and (Expenses)	3,000
Increase/(Decrease) in Net Assets	\$12,080

State Foundation Payments and Special Education, as a whole, are the primary support for the Academy, representing 100 percent of the operating revenue. Salaries and Fringe Benefits comprise 52.9 percent of operating expenses.

The Academy had total revenues of \$212,674, and total expenses of \$200,594. The change in net assets for the year was an increase of \$12,080. This increase indicates the Academy is meeting its obligations as a whole.

Capital Assets

At the end of period June 30, 2005, the Academy had \$2,320 (net of \$80 in accumulated depreciation) invested in furniture and equipment. Table 3 shows balances at June 30, 2005:

**Table 3
Capital Assets at June 30
(Net of Depreciation)**

	2005
Furniture, Fixtures, and Equipment	\$2,320
Totals	\$2,320

For more information on capital assets, see note 4 to the basic financial statements.

**WRIGHT-DUNBAR TECHNOLOGY ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 9, 2004 THROUGH JUNE 30, 2005
(UNAUDITED)
(Continued)**

Current Financial Issues

The inclusion of the Lucas County Educational Service Center as the Academy's fiscal agent greatly improves its internal control structure and the quality of its financial records. During the period October 1, 2004 to June 30, 2005, there were approximately 76 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for this period amounted to \$5,058 per student.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Zandra Harris at Wright-Dunbar Technical Academy, Dayton, Ohio or e-mail at wdtainc@msn.com.

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**WRIGHT-DUNBAR TECHNICAL ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005**

Assets:

Current Assets:

Cash and Cash Equivalents	\$2,409
Prepaid Items	<u>21,014</u>
Total Current Assets	23,423

Noncurrent Assets:

Capital Assets, Net	<u>2,320</u>
Total Noncurrent Assets	<u>2,320</u>
Total Assets	<u><u>25,743</u></u>

Liabilities:

Current Liabilities:

Accounts Payable	10,151
Intergovernmental Payable	<u>3,512</u>
Total Current Liabilities	<u>13,663</u>
Total Liabilities	13,663

Net Assets:

Invested in Capital Assets, Net of Related Debt	2,320
Unrestricted	<u>9,760</u>
Total Net Assets	<u><u>\$12,080</u></u>

See Accompanying Notes to the Basic Financial Statements.

**WRIGHT-DUNBAR TECHNOLOGY ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD AUGUST 9, 2004 TO JUNE 30, 2005**

Operating Revenues:

Foundation Payments	\$208,506
Special Education	1,168
	<hr/>
Total Operating Revenues	209,674

Operating Expenses:

Salaries	89,016
Fringe Benefits	17,266
Purchased Services	82,029
Materials and Supplies	8,415
Depreciation	80
Other Operating Expenses	3,788
	<hr/>
Total Operating Expenses	200,594
	<hr/>
Operating Income	9,080

Non-Operating Revenues and Expenses:

Operating Grants	3,000
	<hr/>
Total Non-Operating Revenues and (Expenses)	3,000
	<hr/>
Change in Net Assets	12,080
	<hr/>
Net Assets at Beginning of Year	<hr/>
Net Assets at End of Year	\$12,080

See Accompanying Notes to the Basic Financial Statements.

**WRIGHT-DUNBAR TECHNICAL ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD AUGUST 9, 2004 TO JUNE 30, 2005**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$208,506
Cash Received from Extracurricular Activities	1,168
Cash Payments to Suppliers for Goods and Services	(81,243)
Cash Payments to Employees for Services	(89,016)
Cash Payments for Employee Benefits	(32,206)
Cash Payments for Other Operating Uses	(5,400)
	1,809
Net Cash Provided by (Used for) Operating Activities	1,809

Cash Flows from Noncapital Financing Activities:

Operating Grants	3,000
	3,000
Net Cash Provided by (Used for) Noncapital Financing Activities	3,000

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(2,400)
	(2,400)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,400)
Net Increase (Decrease) in Cash and Cash Equivalents	2,409
Cash and Cash Equivalents at Beginning of Year	2,409
Cash and Cash Equivalents at End of Year	2,409

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:

Operating Income (Loss)	9,080
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Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:

Depreciation	80
Changes in Assets and Liabilities:	
(Increase)/Decrease in Prepaid Items	(21,014)
Increase/(Decrease) in Accounts Payable	10,151
Increase/(Decrease) in Intergovernmental Payable	3,512
Total Adjustments	(7,271)
Net Cash Provided by Operating Activities	\$1,809

See Accompanying Notes to the Basic Financial Statements.

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**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005**

1. DESCRIPTION OF THE REPORTING ENTITY

Wright-Dunbar Technical Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The mission of the Academy is to develop excellence in academic and vocational achievement while providing character education to students in grades 9 through 12. The Academy accomplishes this by providing programs designed to meet the needs of the whole child through a combination of progressive educational and vocational training, as well as, services to meet the needs of at-risk student. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing August 9, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Fiscal Officer of the Academy (See Note 10).

The Academy operates under the direction of a Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 3 non-certified and 3 certificated full time teaching personnel who provide services to 76 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. 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 proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. 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 statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

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 values as of the date received. The Academy does not maintain a capitalization policy and does not possess any infrastructure. 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.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5

I. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has no debt.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

K. 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 those estimates.

3. DEPOSITS AND INVESTMENTS

For the period ending June 30, 2005, the carrying amount of the Academy's deposits was \$2,409, and the bank balance was \$6,760. Of the bank balance, \$6,760 was covered by federal depository insurance.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

4. CAPITAL ASSETS

Capital asset activity for the period October 1, 2004 to June 30, 2005, was as follows:

	<u>Balance 10/1/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2005</u>
Capital Assets Being Depreciated				
Furniture, Fixtures and Equipment	\$ -	\$ 2,400	\$ -	\$ 2,400
Totals Capital Assets				
Being Depreciated	-	2,400	-	2,400
Less Accumulated Depreciation:				
Furnitures, Fixtures, and Equipment	-	(80)	-	(80)
Total Accumulated Depreciation	-	(80)	-	(80)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,320</u>	<u>\$ -</u>	<u>\$ 2,320</u>

5. RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ending June 30, 2005, the Academy contracted with the Gates Parizo Insurance Agency for commercial insurance and Commonwealth Premium Finance for liability insurance.

The Academy owns no property, but leases a facility from Jefferson Township Local School District. (See Note 12)

B. Workers' Compensation

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

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

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the period October 1, 2004 to June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for period ending June 30, 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the period ending June 30, 2005 was \$1,910; 100 percent has been contributed for period October 1, 2004 to June 30, 2005. \$3,349 has been overpaid at the period end and is reflected as a prepaid item.

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate 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.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the period October 1, 2004 to June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Academy's required contribution for pension obligations for the period October 1, 2004 to June 30, 2005 was \$9,223; 100 percent has been contributed for period October 1, 2004 to June 30, 2005. \$8,859 represents an overpayment and is reflected as a prepaid item for period ended June 30, 2005.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2005 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2005 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

7. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. 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 by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43 percent. In addition, SERS levies 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 2005, the minimum pay was established at \$27,400. 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.

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, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits of \$300.8 million. The number of recipients currently receiving health care benefits is approximately 62,000.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the Academy, the amount to fund health care benefits, including surcharge, equaled \$3,046 for the period October 1, 2004 to June 30, 2005.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$709 for the period October 1, 2004 to June 30, 2005.

For the fiscal year ended June 30, 2004 (the latest information available) net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

8. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

9. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2005.

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

9. CONTINGENCIES (Continued)

B. School Funding

The Ohio Department of Education conducts reviews 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. ODE conducted a review of the Academy's 2005 student enrollment data and FTE calculations and the Academy anticipates a revenue deduction of (\$5,753.49) based on the results of the review.

C. Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001, alleging 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 on November 18th, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

10. FISCAL AGENT

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. Contract payments of \$3,674 were paid during the period August 9, 2004 to June 30, 2005, and \$579 was accrued as a liability at the period ending June 30, 2005.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;

**WRIGHT-DUNBAR TECHNICAL ACADEMY OF LEARNING
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 9, 2004 to JUNE 30, 2005
(Continued)**

10. FISCAL AGENT (Continued)

- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

11. PURCHASED SERVICES

For the Period August 9, 2004 to June 30, 2005, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	\$50,213
Property Services	6,500
Travel Mileage/Meeting Expense	107
Communications	3,613
Utilities	15,121
Tuition	6,314
Public Transportation Services	161
Total Purchased Services	<u><u>\$82,029</u></u>

12. OPERATING LEASES – LESSEE DISCLOSURE

The Academy entered into a lease with the Jefferson Township Local School District to lease space to house the Academy. Payments made totaled \$6,500 for the period August 9, 2004 to June 30, 2005. In September 2005, a new agreement was entered into with Jefferson Township Local School District leasing the facilities for the period September 12, 2005 to September 14, 2006, at \$1000 per month.



**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***

Wright-Dunbar Technology Academy
Montgomery County
120 Knox Avenue
Dayton, Ohio 45427

To the Board of Governance:

We were engaged to audit the financial statements of Wright-Dunbar Technology Academy, Montgomery County, (the Academy), as of and for the period ended June 30, 2005, and have issued our report thereon dated January 23, 2006, wherein we issued a disclaimer of opinion.

Internal Control Over Financial Reporting

In planning and performing our engagement, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider 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 Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-012 through 2005-015.

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. 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 material weaknesses. We consider reportable condition 2005-012 listed above to be a material weakness. In a separate letter to the Academy's management dated January 23, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of our engagement we performed tests of 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 engagement and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-011. In a separate letter to the Academy's management dated January 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and members of the Board of Governance. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 23, 2006

**WRIGHT-DUNBAR TECHNOLOGY ACADEMY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD AUGUST 9, 2004 THROUGH JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Finding for Recovery – Academy Monies Collected and Unaccounted For

Ohio Revised Code Section 3309.23, requires the Academy to enroll withhold, and transmit the (non-certified) employee and employer portion to the School Employee's Retirement System (SERS) contributions. The Academy withheld retirement contributions for members enrolled in SERS during the period of September 20, 2004 through January 14, 2005 in the amount of \$570.12; however, the Academy did not remit the withholdings to SERS. The Academy also did not remit the employer portion to SERS relating to these payroll expenses, totaling \$798.17.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for monies collected but not accounted for is hereby issued against Wright-Dunbar Technology Academy in the amount of \$1,368.29 in favor of School Employees Retirement System.

The Academy should establish and implement policies and procedures to require that all payroll withholdings are remitted to the appropriate agency in a timely manner.

This matter has been forwarded to SERS for their review.

FINDING NUMBER 2005-002

Finding for Recovery – Academy Monies Collected and Unaccounted For

26 USC Section 3403 states the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter. The Academy withheld federal taxes from employees during the period of September 20, 2004 through January 14, 2005; however, it did not remit the withholdings to the Internal Revenue Service.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Wright-Dunbar Technology Academy in the amount of \$2,231.28 in favor of the Internal Revenue Service.

The Academy should establish and implement policies and procedures to require that all payroll withholdings are remitted to the appropriate agency in a timely manner.

This matter has been forwarded to the IRS for their review.

FINDING NUMBER 2005-003

Finding for Recovery – Academy Monies Collected and Unaccounted For

Ohio Rev. Code Section 5747.07(B), states in pertinent part, that every employer required to deduct and withhold any amount under **Ohio Rev. Code Section 5747.06** shall file a return and shall pay the amount of undeposited taxes required by law within three banking days after the close of a partial weekly withholding period during which the employer was required to deduct and withhold any amount under this chapter. The Academy withheld state taxes from employees during the period of September 20, 2004 through January 14, 2005; however, it did not remit the withholdings to the Treasurer of the State of Ohio.

**FINDING NUMBER 2005-003
(Continued)**

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Wright-Dunbar Technology Academy in the amount of \$909.76 in favor of the Treasurer of the State of Ohio.

The Academy should establish and implement policies and procedures to require that all payroll withholdings are remitted to the appropriate agency in a timely manner.

This matter has been forwarded to the Treasurer of the State of Ohio's office for their review.

FINDING NUMBER 2005-004

Finding for Recovery – Academy Monies Illegally Expended

Expenditures made by a governmental unit should serve a public purpose. *State ex rel. McClure v. Hagerman*, (1951), 155 Ohio St. 320.

The Academy reimbursed Principal Denise Lyons for expenditures she made on behalf of the school for commencement ceremonies. There was evidence of three invoices in the amounts of \$2.77, \$24.11, and \$80.38 for which Denise Lyons did not make the actual expenditures, but submitted for reimbursement. These expenditures were actually made by the Education Director of General Chappie James Leadership Academy (GCJLA), which shared the cost of a joint commencement ceremony with Wright-Dunbar Technology Academy. The Education Director of GCJLA submitted these invoices to Denise Lyons to off-set their share of the commencement expenses. This resulted in a total overpayment to Denise Lyons in the amount of \$107.26.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies being illegally expended is hereby issued against Denise Lyons in the amount of \$107.26 in favor of Wright-Dunbar Technology Academy.

FINDING NUMBER 2005-005

Finding for Recovery – Academy Monies Collected and Unaccounted For

Under **Ohio Rev. Code Section 9.39**, "all public officials are liable for all public money received or collected by them or by their subordinates under color of office." A public office is a public trust and that public property and public money in the hands of or under the control of public officials constitute a trust fund, for which the official should be held responsible to the same degree as the trustee of a private trust fund. See *State of Ohio v. Hale* (1991), 60 Ohio St.3d 62 citing *Crane Twp., ex rel. Stalter v. Secoy* (1921), 103 Ohio St. 258; 132 N.E. 851. A public official is accountable for the moneys that come into his hands as such official. *State ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228.

The Academy's Principal, Denise Lyons, received \$150 and \$34.91 from Main Street Automotive Academy (MSAA) for shared cost of a joint commencement ceremony with the Academy. This is evidenced by her signature on receipts provided by Joe Singleton, Education Director of MSAA. No documentation could be located or provided by Wright-Dunbar Technology Academy as evidence that these receipts were ever deposited with the fiscal agent of the Academy or ever deposited in the Academy's bank accounts.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Denise Lyons in the amount of \$184.91 in favor of Wright-Dunbar Technology Academy.

FINDING NUMBER 2005-006

Finding for Recovery – Academy Monies Illegally Expended

Ohio Rev. Code Section 3314.082, states it is the intent of the general assembly that no state moneys paid to a community school under **Ohio Rev. Code Section 3314.08** be used by the school to pay any taxes the school might owe on its own behalf, including, but not limited to, local, state, and federal income taxes, sales taxes, and personal and real property taxes. This intent does not apply to any moneys withheld from an employee of the community school that are payable by the school to a government entity as taxes on behalf of the employee.

During the period of August 9, 2004 through December 31, 2004, in which Michael Manuel was acting as the fiscal officer for Wright-Dunbar Technology Academy, \$143.52 in sales tax was paid for \$2,047 in purchases for materials and supplies or in reimbursements to employees for purchases made on behalf of the school.

During the period of January 1, 2005 through June 30, 2005, in which Lucas County Educational Service Center was the fiscal agent for Wright-Dunbar Technology Academy, \$137.47 in sales tax was paid for \$1,999.82 in reimbursements made to Zandra Harris for petty cash expenditures.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies being illegally expended is hereby issued against Michael Manuel in the amount of \$143.52, and Zandra Harris in the amount of \$137.47, in favor of Wright-Dunbar Technology Academy.

FINDING NUMBER 2005-007

Finding for Recovery – Academy Monies Illegally Expended

Expenditures made by a governmental unit should serve a public purpose. **State ex rel. McClure v. Hagerman**, (1951) **155 Ohio St. 320**.

The Academy made the following two expenditures to Zandra Harris without proper supporting documentation:

1. The Academy reimbursed Zandra Harris, Board Secretary, for purchases made on behalf of the Academy, from the Academy's petty cash funds. Zandra Harris provided the same supporting documentation to the Academy's fiscal agent on two separate occasions and received payment by Academy Check No.5051 dated April 15, 2005, and Check No. 5079 dated May 16, 2005, for the same expenditures resulting in an overpayment to Zandra Harris in the amount of \$497.73.
2. Academy Check No. 5101 dated June 28, 2005, totaling \$313.07 was issued to Zandra Harris for reimbursement of petty cash expenditures for which no supporting documentation was provided.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Zandra Harris in the amount of \$810.80 in favor of Wright-Dunbar Technology Academy.

**FINDING NUMBER 2005-007
(Continued)**

The Board of Governance should establish and implement policies and procedures to require that all expenditures of the Academy be supported by original vendor invoices and reviewed and approved by the Board. Invoices should be signed and dated by the Members of the Board of Governance as an indication of approval. These procedures would improve internal controls and provide that public monies are expended appropriately and well documented.

FINDING NUMBER 2005-008

Noncompliance Citation

Ohio Rev. Code Section 3314.011 states that prior to assuming the duties of fiscal officer the fiscal officer shall be licensed under Ohio Rev. Code Section 3314.074 or must complete not less than sixteen hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under Ohio Rev. Code Section 3314.074 must complete an additional twenty-four hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the Academy within one year after assuming the duties of fiscal officer. Any hours in excess of sixteen hours completed by the fiscal officer prior to assuming their duties will count toward the additional twenty-four hours of continuing education required under this section.

Michael Manuel, acted as the Academy's fiscal officer for the first four months of the audit period, but was not licensed nor did he obtain the required 24 hours of continuing education classes, courses or workshops in school accounting approved by the Academy's sponsor.

The Academy is currently under contract with the Lucas County Educational Service Center to provide fiscal services.

FINDING NUMBER 2005-009

Noncompliance Citation

Ohio Administrative Code Section 117-6-07 states the fiscal officer of a community school, as designated in 3314.011 of the Ohio Revised Code, shall execute a bond prior to entering upon the duties of fiscal officer. The bond shall be:

- a. In an amount and with surety to be established by a resolution of the governing authority;
- b. Payable to the state of Ohio; and
- c. Conditioned for the faithful performance of all the official duties required of the fiscal officer.

The bond executed shall be deposited with the governing authority. A copy of the bond deposited, shall be certified by the governing authority, and shall be filed with the county auditor of the county in which the community school is located.

**FINDING NUMBER 2005-009
(Continued)**

Michael Manuel, the acting fiscal officer of the Academy during the first half of the audit period had not secured a bond prior to entering upon the duties of fiscal officer of the Academy. The failure to execute a bond inhibits the ability of the Academy to collect in the event of theft or dishonesty of the fiscal officer. The Academy should verify that a bond is executed prior to an individual entering upon the duties as the designated fiscal agent of the Academy. The policy should also include an annual renewal of the executed bond.

FINDING NUMBER 2005-010

Noncompliance Citation

Ohio Rev. Code Section 149.43(B)(1) states, in pertinent part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. "Public record" means records kept by any public office, including, but not limited to, state, county, city, village, township, and school units, and records kept pertaining to the delivery of educational services by an alternative school in Ohio kept by a nonprofit or for profit entity operating such alternative school.

The Academy failed to maintain underlying support documentation for certain fiscal year 2005 expenditures of public funds in the amount of \$37,987. The Academy also failed to maintain time sheets for hourly employees to adequately support the amounts reported as payroll expenditures. All documentation and records should be maintained. Lack of retaining adequate supporting documents could result in payment of unauthorized expenditures or overpayments.

The Academy should adopt policies and procedures for retention of proper supporting documents for all expenditures of public monies and records should only be removed or destroyed in accordance with an approved records retention schedule.

FINDING NUMBER 2005-011

Noncompliance Citation – Contract with Sponsor

Pursuant to Article II, Sect. AA of the Academy's contract with Lucas County Educational Service Center, the Academy must provide healthcare benefits to all full-time employees.

The Academy failed to offer health care benefits to full-time employees during the audit period.

The Academy should offer health care benefits to full-time employees to comply with the Academy's charter agreement and avoid potential material liabilities in the future.

FINDING NUMBER 2005-012

Material Weakness

Operations of the Academy

The Academy's first year of operation was in fiscal year 2005, beginning August 9, 2004. Contrary to the sponsor agreement and contract, from inception until December of 2004, Michael Manuel, the Academy's founder, was the acting fiscal agent. During that period the following occurred:

- The Academy's acting fiscal agent commingled his personal funds with those of the Academy. This includes making unsupported transfers in and out of the Academy's bank account and making personal expenditures from the Academy's bank account (i.e. lodging and gasoline purchases).
- Expenditures were made that were deemed not to be of a public purpose.
- Expenditures were made that lacked supporting documentation.
- Cash payments were made to vendors, demonstrating weak controls over cash and the expenditure approval process.
- Many purchases were made with a debit card linked to the Academy's bank account. No policy was adopted governing use of debit card. Debit card transactions were not monitored or documented.
- Checks were not issued sequentially.
- The Academy lacked segregation of duties. The Academy's founder performed all fiscal duties with little or no oversight from the Academy's Board, sponsor, or the Academy's contracted fiscal officer.
- A bank account was opened in the Academy's name without board permission or knowledge. The bank account was not closed until the beginning of calendar year 2006. This bank account was never reconciled and was not included in the ending cash figure on the Academy's financial statements for the fiscal year ended June 30, 2005.
- The Academy did not maintain the required receipt and expenditure records for the first five months of operation in violation of Ohio Admin. Code, Section 117-2-02 (A) and Art. II, Section BB of the Academy's contract with Lucas County Educational Service Center. For this reason the annual financial report filed with the Auditor of State of Ohio only included the last six months of operation in fiscal year 2005.
- The Academy lacked internal control procedures for every facet of fiscal operations.
- As indicated in Note 10, the Academy contracted with Lucas County Educational Service Center (ESC) to provide Treasurer's services. The ESC failed to provide those services until January of 2005.

For the above reasons we were unable to substantiate the first five months of the Academy's revenues and expenditures, and were unable to form an opinion as to the accuracy of the financial statements for the year ended June 30, 2005. We recommend the Board and the sponsor, Lucas County Educational Service Center, address the above weaknesses and the financial activity for the entire period August 9, 2004 through June 30, 2005, be reconstructed and accurate balances reported.

FINDING NUMBER 2005-013

Reportable Condition

EMIS Entry

During the audit period the Academy had significant inconsistencies in the amount of revenue it received through the State Foundation Program. This was due to many errors when inputting average daily membership into the Educational Management Information System (EMIS) and not filing those reports in a timely manner. This caused delays in receiving state foundation funding and financial hardship for the Academy, and prevented them from paying salaries and vendors in a timely manner.

State Foundation Program revenue represents a majority of the Academy's revenue (over 98%); therefore, we recommend the Academy use an EMIS specialist to handle all EMIS reporting and inputting. This will help the Academy maintain its major source of revenue.

FINDING NUMBER 2005-014

Reportable Condition

Board Approval of Petty Cash Expenditures

The Academy authorized a petty cash account with a maximum of \$500 in its minutes. However, a policy did not designate an employee to draw down from the petty cash account. During the audit period, the Academy made reimbursements for petty cash expenditures to the Board Secretary in excess of the \$500 maximum threshold authorized by board resolution. It was also noted, in one instance, the same petty cash expenditure was submitted and reimbursed twice, and in other instances, petty cash expenditures had no supporting documentation for what was reimbursed (See Finding 2005-007). Reimbursement in excess of the authorized threshold can result in unauthorized expenditures of the Academy.

We recommend the Academy's Board review the supporting expenditures and formally approve all petty cash reimbursements. This will strengthen the integrity of the petty cash expenditures, prevent double reimbursement, and prevent reimbursements in an amount in excess of the threshold amount passed by resolution of the board.

FINDING NUMBER 2005-015

Reportable Condition

Deductions for Social Security

Under Ohio Revised Code Chapter 3307 (STRS) and Chapter 3309 (SERS), school certified and non-certified employees are required to enroll in the appropriate retirement system and contribute a certain percentage of earned wages as defined by the appropriate retirement board. Therefore, school employees would be exempt from withholdings for social security.

The Academy withheld deductions for social security amounts for an employee during the audit period. This resulted in withholding \$83.46 from the employee for social security instead of withholding the required STRS contribution of \$134.61. The Academy should develop and implement procedures that will provide that only allowable deductions are withheld from employees and provide adherence to applicable laws and requirements.



**Auditor of State
Betty Montgomery**

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WRIGHT-DUNBAR TECHNOLOGY ACADEMY

MONTGOMERY 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
APRIL 4, 2006**