



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

Ida B. Wells Community Academy
Summit County
670 Wooster Avenue
Akron, Ohio 44307

To the Board of Governors:

We have audited the Balance Sheet of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) (a nonprofit corporation) as of and for the year ended June 30, 2001, and the related Statements of Revenues, Expenses and Changes in Retained Earnings/Accumulated Deficit, and of Cash Flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ida B. Wells Community Academy, Summit County, as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As shown in the financial statements, the Academy has incurred a net loss in the amount of \$46,743 for the year ended June 30, 2001, has a working capital deficiency of \$55,781 and has accumulated a deficit retained earnings of \$41,566 at June 30, 2001. Accordingly, there is substantial doubt about the Academy's ability to continue as a going concern. Management's plans in regards to these matters are discussed in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2002 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

April 12, 2002

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

Balance Sheet
As of June 30, 2001

Assets

Current Assets

Cash and Cash Equivalents	\$12,996
State & Federal Grants Receivable	19,153
	<hr/>
Total Current Assets	32,149
	<hr/>

Non-Current Assets

Fixed Assets (Net of Accumulated Depreciation)	14,215
	<hr/>
Total Assets	\$46,364
	<hr/> <hr/>

Liabilities and Fund Equity

Current Liabilities

Accounts Payable	\$42,191
Accrued Wages and Benefits	18,833
Accrued Interest Payable	78
State & Federal Grants Payable	1,884
Line of Credit Payable	24,944
	<hr/>
Total Current Liabilities	87,930
	<hr/>
Total Liabilities	87,930
	<hr/>

Fund Equity (Deficit)

Accumulated Deficit	(41,566)
	<hr/>
Total Liabilities and Fund Equity	\$46,364
	<hr/> <hr/>

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

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

Statement of Revenues,
Expenses, and Changes in Retained Earnings/Accumulated Deficit
For the Year Ended June 30, 2001

Operating Revenues

Foundation Payments	\$341,784
Other Operating Revenues	8,974
	<hr/>
Total Operating Revenues	350,758

Operating Expenses

Salaries	273,569
Fringe Benefits	67,927
Insurance	5,204
Rent	20,327
Purchased Services	137,967
Materials and Supplies	41,811
Depreciation	4,685
Other Operating Expenses	6,500
	<hr/>
Total Operating Expenses	557,990

Operating Loss (207,232)

Non-Operating Revenues (Expenses)

Interest Expense	(1,362)
Grant Refunds	(1,884)
Grants	163,735
	<hr/>
Net Non-Operating Revenues	160,489

Net Loss (46,743)

Retained Earnings
at Beginning of Year

5,177

Accumulated Deficit
at End of Year

(\$41,566)

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

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

Statement of Cash Flows
For the Year Ended June 30, 2001

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$364,681
Cash Payments to Suppliers for Goods and Services	(193,645)
Cash Payments to Employees for Services	(327,163)
Other Operating Revenues	<u>8,974</u>

Net Cash Used in Operating Activities	<u>(147,153)</u>
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Cash Flows from Noncapital Financing Activities

Grants Received	<u>144,582</u>
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Cash Flows from Capital and Related Financing Activities

Capital Outlay	(10,654)
Interest Payments	(1,284)
Loan Proceeds	31,358
Loan Repayment	<u>(6,414)</u>

Net Cash Provided by Capital and Related Financing Activities	<u>13,006</u>
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Net Increase in Cash and Cash Equivalents	10,435
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Cash and Cash Equivalents at Beginning of Year	<u>2,561</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$12,996</u></u>
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(Continued)

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

Statement of Cash Flows
For the Year Ended June 30, 2001
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used in Operating Activities**

Operating Loss	<u>(\$207,232)</u>
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**Adjustments to Reconcile Operating Loss to
Net Cash Used in Operating Activities**

Depreciation	4,685
Changes in Assets and Liabilities:	
Decrease in Prepaid Expenses	1,318
Increase in Accounts Payable	41,061
Increase in Accrued Wages and Benefits	<u>13,015</u>
Total Adjustments	<u>60,079</u>
Net Cash Used in Operating Activities	<u><u>(\$147,153)</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Ida B. Wells Community Academy (the Academy) is nonprofit 501(c)3 corporation established pursuant to Ohio Rev. Code Chapters 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 school. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operation under contract with the State Board of Education for a period of five years commencing with fiscal year July 1, 1999 through June 30, 2000.

The Academy operates under the direction of a self-appointing, eight-member Board of Governors. The 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 Board of Governors controls the Academy's one instructional/support facility staffed by 4 non-certified and 9 certificated full-time teaching personnel who provide services to 63 students.

NOTE 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 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, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis Of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is reported as Retained Earnings or Accumulated Deficit. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the school's contract. The contract between the Academy and the State Department of Education does not prescribe a budgetary process for the Academy per Ohio Rev. Code Section 5705.

D. Cash and Cash Equivalents

The Academy's deposits are valued at cost. Cash equivalents include all investments with an original maturity of three months or less.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of \$500. Depreciation of furniture 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. The Academy has no infrastructure and does not capitalize interest costs.

F. Intergovernmental Revenues

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

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 to offset start-up costs of the school, to be received in equal installments over 3 years, with its final payment received in fiscal year 2001. This program is recognized as non-operating revenue in the accompanying financial statements.

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

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

Amounts awarded under the above named programs for the 2001 school year totaled \$505,519.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Purchased Services

The Academy purchased services in the amount of \$137,967 during the year ended June 30, 2001. This includes the following:

Professional Development	\$1,431
Professional Services	15,888
Building Maintenance	34,901
Security Service	9,980
Food Service	33,353
Student Transportation	30,925
Utilities	9,951
Advertising	1,538
Total	<u><u>\$137,967</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the carrying amount of the Academy's deposits were \$12,996, and the bank balance was \$27,138. All of the bank balance was covered by federal depository insurance.

NOTE 4 - STATE AND FEDERAL GRANTS RECEIVABLE/PAYABLE

All State and Federal Grants Receivable 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 State and Federal Grants Receivable is as follows:

Title I	\$17,364
Title II	49
Title IV	153
Title VI	589
Title VI-R	998
	<u><u>\$19,153</u></u>

The State and Federal Grants Payable of \$1,884 on the Balance Sheet represents grant funds received which were not spent within the required time period of the grants.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 5 - FIXED ASSETS

A summary of the Academy's fixed assets as of June 30, 2001, follows:

Furniture and Equipment	\$13,561
Leasehold improvements	<u>8,027</u>
Total Gross Fixed Assets	21,588
Less: Accumulated Depreciation	<u>(7,373)</u>
Total Net Fixed Assets	<u><u>\$14,215</u></u>

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

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. For fiscal year 2001, the Academy contracted with Reliance Insurance Company for general liability insurance. There is a \$1,000 deductible and a limit of \$1,000,000. Settled claims have not exceeded this commercial coverage in the past two years. There was no reduction in coverage from the prior year.

Professional liability is provided by Westfield Companies 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 monthly total gross payroll by a factor that is calculated by the State.

C. 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 fiscal year 2001, the Academy and the employees' premiums were based on each employee's age category and whether the coverage was for single, single with a child, spouse, or family coverage.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 7- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the Academy is required to contribute 14%; for fiscal year 2001, 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the SERS' Retirement Board with the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001 and 2000, were \$10,820 and \$7,340, respectively; 74% has been contributed for fiscal year 2001 and 100% for fiscal year 2000. The unpaid contribution is recorded as a liability as of June 30, 2001.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3% of their annual covered salary and the Academy is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contribution for pension obligations to STRS for fiscal years ended June 30, 2001 and 2000 were \$34,648 and \$15,494, respectively; 68% has been contributed for fiscal year 2001 and 100% for fiscal year 2000. The unpaid contribution is recorded as a liability as of June 30, 2001.

NOTE 8 - POST EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and contribution rates are established by the Systems based on authority granted by State statute. Both Systems are on a pay-as-you-go basis.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 8 - POST EMPLOYMENT BENEFITS (Continued)

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the Academy, this amount equaled \$11,137 during the 2001 fiscal year.

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

For fiscal year 2001, employer contributions to fund health care benefits was 9.8% 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, prorated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the Academy, the amount to fund health care benefits, including surcharge of \$1,201, equaled \$8,775 during the 2001 fiscal year.

NOTE 9 - OTHER EMPLOYEE BENEFITS

The Academy provides life insurance to all employees through a private carrier. Coverage in the amount of \$10,000 is provided for all certified and non-certificated employees.

NOTE 10 - LEASE AGREEMENT

The Academy leases space from the Antioch Baptist Church under an agreement beginning in August of 2000 and terminating in July of 2002. Under this agreement, the Academy is to make 8 quarterly payments of \$5,000 for a total cost of \$40,000 for the use of its classrooms and offices. There is a renewal option at the end of the lease term to extend the lease through August of 2004. Total payments for the year totaled \$20,000. Prior to August of 2000, the Academy rented space from the Salvation Army at a cost of \$4,500 per quarter. This agreement expired on August 8, 2000.

NOTE 11 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 11 - STATE SCHOOL FUNDING DECISION (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of April 12, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements the Academy is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 12 - CONTINGENCIES

Grants

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2001.

Litigation

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

NOTE 13 - LINE OF CREDIT

The Academy has available a revolving bank line of credit in the amount of \$25,000. Borrowings under the line bear interest at prime plus two percent. The Academy had an outstanding balance of \$24,944 on the line of credit at June 30, 2001, which is reflected on the Balance Sheet as Line of Credit Payable.

The Academy has an additional line of credit in the amount of \$100,000 that was not used during 2001. Borrowings under this line bear interest of 9%, and is secured by the personal residence of the Director.

NOTE 14 - MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT

At June 30, 2001, the Academy's accumulated deficit balance was \$41,566. The Academy's management is analyzing operations to determine appropriate steps to alleviate the deficit and has requested consulting services from the Ohio Department of Education to assist with this effort.

The Academy's long range plans are to seek increased enrollment through additional marketing, to seek additional grant funding sources and to streamline operating costs.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to June 30, 2001, the Ohio Department of Education performed an audit of foundation moneys distributed to the community schools throughout the State of Ohio. This audit resulted in the discovery of an overpayment to Ida B. Wells Community Academy of \$22,897 for the year ended June 30, 2001. This amount is reflected in Accounts Payable at June 30, 2001.

NOTE 16 - RELATED PARTY TRANSACTIONS

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

NOTE 17 - NONCOMPLIANCE

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



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

Ida B. Wells Community Academy
Summit County
670 Wooster Avenue
Akron, Ohio 44307

To the Board of Governors:

We have audited the financial statements of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 12, 2002, in which we expressed substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item 2001-10977-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Academy in a separate letter dated April 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated April 12, 2002.

Ida B. Wells Community Academy
Summit County
Report of Independent Accountants on Compliance And On
Internal Control Required By *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

April 12, 2002

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

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

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

FINDING NUMBER 2001-10977-001

Noncompliance Citation

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

During the fiscal year ended June 30, 2001, the Academy had a \$24,944 balance outstanding on its line of credit. These monies were borrowed and used for operating expenses, and have no specific maturity date. Because the line of credit does not specifically exclude the Academy's Ohio Rev. Code Section 3314.08(D) funds from the general collateral provisions and is being repaid with State monies, this line of credit obligates the state foundation payments. Therefore, Ohio Rev. Code Section 3314.08(J) would apply.

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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IDA B. WELLS COMMUNITY ACADEMY

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**