

IDA B. WELLS COMMUNITY ACADEMY

Audit Report

For the Year Ended June 30, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Governors
Ida B. Wells Community Academy
1180 Slosson St.
Akron, OH 44320

We have reviewed the *Report of Independent Accountants* of the Ida B. Wells Community Academy, Summit, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ida B. Wells Community Academy is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

June 8, 2006

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IDA B. WELLS COMMUNITY ACADEMY
Audit Report
For the Year Ended June 30, 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Governors
Ida B. Wells Community Academy
Akron, Ohio**

We have audited the accompanying basic financial statements of the Ida B. Wells Community Academy (the Academy), as of and for the year ended June 30, 2005, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 the Academy as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2006 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, grant agreements and other matters for the year ended June 30, 2005. While we did not opine on the internal control over financial reporting and compliance, this 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* and should be read in conjunction with this report in considering the results of our audit.

**Ida B. Wells Community Academy
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

This discussion and analysis of the Ida B. Wells Community Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2005. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

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

Highlights

Key financial highlights for the fiscal year ended June 30, 2005 are as follows:

- Total net assets decreased \$106,689 in fiscal year 2005, which represents a 737 percent decrease from fiscal year 2004, as a result of significant decreases in revenues from various federal, state and local grant programs.
- Total assets increased \$19,275 which represents a 32 percent increase from the prior year. The increase is primarily due to increases in receivables held by the Academy and capital assets recorded at the end of the fiscal year.
- Total liabilities increased \$125,964 which represents a 281 percent increase from the prior year. The increase is primarily due to increased accounts payable, notes payable and a line of credit payable.

Using this Annual Financial Report

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

The Statement of Fund Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets reflect how the Academy did financially during the fiscal year ended June 30, 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the period revenues and expenses regardless of when cash is received or paid.

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

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

Table 1 provides a summary of the Academy's net assets as of June 30, 2005 compared to 2004.

Table 1
Net Assets

	2005	2004
Assets		
Current Assets and Other Assets	\$56,718	\$30,662
Capital Assets, Net of Depreciation	21,928	28,709
 Total Assets	 78,646	 59,371
Liabilities		
Current and Other Liabilities	170,858	44,894
 Total Liabilities	 170,858	 44,894
Net Assets		
Invested in Capital Assets, Net of Debt	21,928	28,709
Restricted	9,009	19,958
Unrestricted (Deficit)	(123,149)	(34,190)
 Total Net Assets	 (\$92,212)	 \$14,477

Total assets were \$78,646. Cash amounted to \$0, intergovernmental receivable amounted to \$56,718 and net capital assets totaled \$21,928.

Total liabilities were \$170,858. Accounts payable equaled \$87,039, accrued wages and benefits totaled \$37,728, line of credit was \$24,000, accrued interest amounted to \$91 and notes payable equaled \$22,000.

The net impact was a decrease of net assets equal to \$(106,689).

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2005 and June 30, 2004, as well as a listing of revenues and expenses.

Table 2
Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Foundation Payments	\$845,685	\$741,942
Sales	603	1,455
Other Operating Revenues	6,600	12,071
Nonoperating Revenues		
Local Grants	218,843	0
State and Federal Grants	10,000	174,672
Other	10,700	0
Total Revenues	<u>1,092,431</u>	<u>930,140</u>
Operating Expenses		
Salaries	640,081	444,929
Fringe Benefits	199,746	141,870
Purchased Services	199,803	183,574
Materials and Supplies	98,007	110,854
Insurance	7,943	9,681
Rent	35,611	23,121
Depreciation	7,540	15,366
Other	9,552	1,984
Nonoperating Expenses		
Interest Expense	<u>837</u>	<u>129</u>
Total Expenses	<u>1,199,120</u>	<u>931,508</u>
Change in Net Assets	(106,689)	(1,368)

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

Budgeting

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

Capital Assets

The Academy had \$21,928 invested in capital assets (net of accumulated depreciation). Capital assets consist of \$17,617 in leasehold improvements and \$64,313 in furniture, fixtures and equipment. These capital assets were off-set by \$60,002 in accumulated depreciation resulted in net capital assets of \$21,928. See Note 6 of the Notes to the Basic Financial Statements for more detailed information on the Academy's capital assets.

Debt

The Academy incurred a line of credit of \$24,000 and a note payable of \$22,000 during the fiscal year ended June 30, 2005.

Current Financial Issues

The Ida B. Wells Academy was formed in 1999 and the fiscal year 2000 was the first year of operation. During the 2004 – 2005 school year, there were approximately 121 students enrolled in the Academy. The Academy receives its finances mostly from State aid. Per pupil aid for fiscal year 2005 amounted to \$6,989 per pupil.

Contacting the Academy's Financial Management

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

**Ida B. Wells Community Academy
Summit County, Ohio
Statement of Fund Net Assets
Proprietary Fund
June 30, 2005**

	2005
Assets	
Current Assets:	
Cash	\$ -
Receivables:	
State and Federal Grants	46,718
Local Grants Receivable	10,000
Total Current Assets	56,718
Noncurrent Assets:	
Depreciable Capital Assets, Net	21,928
Total Noncurrent Assets	21,928
<i>Total Assets</i>	\$ 78,646
Liabilities	
Accounts Payable	\$ 87,039
Accrued Wages and Benefits	37,728
Line of Credit Payable	24,000
Accrued Interest Payable	91
Notes Payable	22,000
<i>Total Liabilities</i>	\$ 170,858
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 21,928
Restricted	9,009
Unrestricted (Deficit)	(123,149)
<i>Total Net Assets</i>	\$ (92,212)

See accompanying notes to the basic financial statements.

Ida B. Wells Community Academy
Summit County, Ohio
Statements of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	2005
Operating Revenues	
State Foundation	\$ 845,685
Sales	603
Other Revenues	6,600
<i>Total Revenues</i>	852,888
Operating Expenses	
Salaries	\$ 640,081
Fringe Benefits	199,746
Purchased Services	199,803
Materials and Supplies	98,007
Insurance	7,943
Rent	35,611
Depreciation	7,540
Other	9,552
<i>Total Operating Expenses</i>	1,198,283
<i>Operating (Loss)</i>	(345,395)
Non-Operating Revenues (Expenses)	
State and Federal Grants	\$ 218,843
Local Grants Revenue	10,000
Interest and Fiscal Charges	(837)
Other	10,700
<i>Total Non-Operating Revenues (Expenses)</i>	238,706
<i>Change in Net Assets</i>	(106,689)
<i>Net Assets at Beginning of Year</i>	\$ 14,477
<i>Net Assets (Deficit) at End of Year</i>	\$ (92,212)

See accompanying notes to the basic financial statements.

**Ida B. Wells Community Academy
Summit County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005**

Increase (Decrease) in Cash	2005
Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$ 845,685
Cash Received from Customers	630
Cash Payments to Suppliers for Goods and Services	(273,980)
Cash Payments to Employees for Services	(642,985)
Cash Payments For Employee Benefits	(179,214)
Other Operating Revenues	6,600
Other Operating Expenses	(14,691)
<i>Net Cash (Used for) Operating Activities</i>	<i>(257,955)</i>
Cash Flows from Noncapital Financing Activities	
Federal and State Grants Received	218,106
Line of Credit and Loan Proceeds	35,000
Line of Credit and Loan Repayments	(7,000)
Line of Credit and Loan Interest Payments	(746)
Other Non-Operating Revenue	10,700
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>256,060</i>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(759)
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<i>(759)</i>
<i>Net (Decrease) in Cash and Cash Equivalents</i>	<i>(2,654)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>2,654</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$ -</i>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating (Loss)	\$ (345,395)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation	7,540
Changes in Assets and Liabilities:	
Accounts Receivable	27
Accounts Payable	58,321
Accrued Wages and Benefits	22,167
Compensated Absences Payable	(615)
<i>Net Cash (Used in) Operating Activities</i>	<i>\$ (257,955)</i>

See accompanying notes to the basic financial statements.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. Description of the Academy and Reporting Entity

Ida B. Wells Community Academy (the Academy) is a non-profit §501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in kindergarten through seventh grade. The Academy, which is part of the State's education program, is independent of any Academy and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy has been approved for operation under contract with the Lucas County Education Service Center (Sponsor). This contract renews for additional one-year terms from July 1 to June 30, unless either party has given advance written notice of at least 90 days. This sponsorship contract replaced a prior sponsorship contract with the Ohio Department of Education, effective November 1, 2003. The Academy operates under a self -appointing, seven-member Board of Governors (Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's two instructional/support facilities staffed by seven non-certified and 15 certified full-time teaching personnel who provide services to 121 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 governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its basic financial statements provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies:

A. Basis of Presentation

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

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with the Sponsor. The contract between the Academy and the Sponsor, the Lucas County Educational Center, does not prescribe a budgetary process for the Academy.

D. Cash

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

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$500. The Academy does not possess any infrastructure and does not capitalize interest costs.

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

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Depreciation of furniture, fixtures and equipment is computed using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are depreciated using the straight-line method over the remaining term of the lease agreement including the renewal option.

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its Statement of Net Assets relating to expenses, which are due but unpaid as of June 30, 2005, including:

Accrued wages and benefits payable – salary payments made after year-end that were for services rendered in fiscal year 2005. A liability has been recognized at June 30, 2005 for all salary payments made to teaching personnel during the month of July, 2005. Payments for the employer’s share of the retirement contribution, excess receipts of foundation payments. Workers’ Compensation and Medicare associated with services rendered during fiscal year 2005, were paid in the subsequent fiscal year.

H. Tax Exemption Status

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

I. Net Assets

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

3. Change in Accounting Principle

For Fiscal Year 2005, the District has Implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures,” which establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk, and foreign currency risk. The implementation of GASB 40 did not affect the presentation of the financial statements of the District. The Academy also implemented GASB Technical Bulletin 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers”. The implementation of this statement did not affect the financial statements.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. Deposits

The Academy maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2005 is \$0. The bank balance was \$11,309, all of which was covered by FDIC.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Academy; or collateralized by the financial institution's public entity deposit pool.

Investments: The Academy had no investments as of December 31, 2005 and 2004.

5. State and Federal Grants Receivable

Receivables at June 30, 2005 consisted of state and federal and local grants. All state and federal grants are considered collectible in full due to the stable condition of state programs and the current year guarantee of federal funds.

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

Title I	\$ 26,918
Title II-A	19,800
Total	<u>\$ 46,718</u>

6. Capital Assets and Depreciation

A summary of the Academy's capital assets at June 30, 2005 follows:

	Balance 07/01/2004	Additions	Deletions	Balance 06/30/2005
Capital Assets, Being Depreciated:				
Furniture, Fixtures and Equipment	\$63,554	\$759	\$0	\$64,313
Leasehold Improvements	17,617	0	0	17,617
Total Capital Assets, Being Depreciated:	81,171	759	0	81,930
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(41,689)	(5,583)	0	(47,272)
Leasehold Improvements	(10,773)	(1,957)	0	(12,730)
Total Accumulated Depreciation:	(52,462)	(7,540)	0	(60,002)
Total Capital Assets, Net	\$28,709	\$(6,781)	\$0	\$21,928

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

7. Purchased Services

For the period July 1, 2004 through June 30, 2005, purchased services expenses were payments for services rendered by various vendors as follows:

Professional Services	\$92,809
Building Maintenance	23,929
Travel and Meeting Expenses	11,392
Educational	31,202
Audit	1,103
Utilities	30,296
Advertising	8,302
Other	<u>770</u>
Total	<u><u>\$199,803</u></u>

8. Risk Management

A. Property and Liability Insurance

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 2005, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a \$1,000 deductible and a \$1,000,000 limit. There was no reduction in coverage from the prior year. Claims have not exceeded commercial coverage in the past three years.

The Academy has also contracted with a commercial insurance carrier for professional liability insurance with a \$150,000 single occurrence limit and no deductible.

B. Workers' Compensation

The Academy makes premium payments to the State Workers' Compensation System for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

9. Other Employee Benefits

A. Employee Medical, Dental and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 80 percent of the monthly premium and the employee is responsible for the remaining 20 percent. For the fiscal year 2005, the Academy and the employees' premiums varied depending on family size and the ages of those covered.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

B. Life Insurance

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

10. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For the fiscal year 2005, 10.57 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$36,943, \$22,104 and \$9,919 respectively; 64.80 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution is recorded as a liability as of June 30, 2005.

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.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members were required to contribute 10 percent of their annual covered salaries and the Academy was required to contribute 14 percent; 13.0 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$42,867, \$45,277 and \$38,927, respectively; 69.65 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$13,009, representing the unpaid contribution for fiscal year 2005, is recorded as a liability. Contributions to the DC and Combined plans for fiscal year 2005 were \$2,919 made by the Academy and \$2,780 made by the plan members.

A retiree of STRS or another public retirement system is eligible for reemployment as a teacher following the lapse 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 annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

11. 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 retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2005 (the latest information available) the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$3,062 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. Premiums are reduced by 50 percent for those retirees whose household income falls below federal poverty levels.

For the year ended June 30, 2005 (the latest information available) employer contributions to fund health care benefits were 3.43 percent of covered payroll. 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 credits. For fiscal year ended June 30, 2005, the minimum pay has been 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. For the Academy, the amount of covered salary to fund health care expenses, including surcharge, was \$12,517.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

**IDA B. WELLS COMMUNITY ACADEMY
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

12. Short-Term Obligations

The Academy's short-term obligations during fiscal year 2005 were as follows:

	Balance at 06/30/04	Additions	Reductions	Balance at 06/30/05
Note Payable	\$0	\$22,000	\$0	\$22,000
Line of Credit	0	25,000	(1,000)	24,000
Total short-term Liabilities	<u>\$0</u>	<u>\$47,000</u>	<u>(\$1,000)</u>	<u>\$46,000</u>

Loans were obtained during the year in order to maintain operations. There was an amount loaned to the Academy by Dr. Edward Crosby which totaled \$22,000. The loan is expected to be repaid by the end of August 2005. The Academy also obtained a bank line of credit on July 23, 2004 of \$25,000 with an interest rate of 4.5%. The Academy repaid \$1,000. The balance of \$24,000 is expected to be repaid by July 2005. The loans were paid off according to schedule.

13. Lease Agreements

The Academy leases space under an agreement beginning August 13, 2003 and terminating August 12, 2005. Under this agreement, the Academy is to make monthly payments of \$2,968 for the use of its classrooms and offices. At the end of the lease, the Academy has the option to renew the lease agreement. Payments for the year totaled \$35,611.

14. Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2005.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

B. Litigation

A lawsuit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Academy is not presently determinable.

15. 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 decision 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 its future State funding and on its financial operations.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Governors
Ida B. Wells Community Academy
Summit County, Ohio

We have audited the financial statements of the Ida B. Wells Community Academy, Summit County as and for the year ended June 30, 2005, and have issued our report thereon dated March 17, 2006. 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.

Internal Controls 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 an opinion 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 caused by error or fraud 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 we have reported to management in a separate letter dated March 17, 2006.

Compliance and Other Matters

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated March 17, 2006.

This report is intended solely 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.

Charles E. Harris & Associates, Inc.
March 17, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2004 reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

IDA B. WELLS COMMUNITY ACADEMY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2006**