



Dave Yost • Auditor of State

**W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - For the Year Ended June 30, 2010.....	7
Statement of Revenues, Expenses and Changes in Net Assets - For the Year Ended June 30, 2010.....	8
Statement of Cash Flows - For the Year Ended June 30, 2010.....	9
Notes to the Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures.....	23
Notes to the Schedule of Federal Awards Receipts and Expenditures	24
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and On Internal Control Over Compliance in Accordance With OMB Circular A-133.....	27
Schedule of Findings.....	29
Schedule of Prior Audit Findings.....	33
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	35

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

W.E.B. Dubois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the accompanying basic financial statements of W.E.B. Dubois Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 W.E.B. Dubois Academy, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 audit.

As discussed in Note 14 to the financial statements, on August 25, 2009, the Ohio Department of Education made the determination that the Academy would terminate operations as of June 30, 2010 due to poor academic performance as defined in section 3314.35 of the Ohio Revised Code. Management has not disclosed plans related to the closing of the School. W.E.B. Dubois Academy has ceased operations.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 12, 2011

W.E.B. Du Bois Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

The discussion and analysis of W.E.B. Du Bois Academy's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the 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 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the W.E.B. Du Bois Academy during fiscal year 2010 are as follows:

- Total net assets of the School decreased \$9,828 in fiscal year 2010. Ending net assets of the School were (\$588,457) compared with \$(578,629) at June 30, 2009 based upon current unaudited financial statements.
- Total assets at the end of fiscal year 2010 were \$947,629 and total liabilities were \$1,536,086 based upon current financial statements.
- The School's operating loss for fiscal year 2010 was \$714,516 before consideration of the non-operating revenues and expenses. When all operating and non-operating revenues are included, the net change in assets for fiscal year 2010 was a negative \$9,828.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. As the School 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.

W.E.B. Du Bois Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Statement of Net Assets

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

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2010 compared to adjusted fiscal year 2009.

Table 1
Net Assets

	2010	2009
Assets:		
Current assets	\$ 295,092	\$ 137,755
Capital Assets, Net	\$ 652,537	\$ 836,489
Total Assets	\$ 947,629	\$ 974,244
Liabilities		
Current liabilities	\$ 575,694	\$ 482,481
Non-current liabilities	\$ 960,392	\$ 1,070,392
Total Liabilities	\$ 1,536,086	\$ 1,552,873
Net Assets:		
Restricted	\$ -	\$ -
Unrestricted	\$ (588,457)	\$ (578,629)
Total Net Assets	\$ (588,457)	\$ (578,629)

Based upon current estimates, the total assets of the School decreased by \$26,615, a 2.7 percent decrease from total assets reported for fiscal year 2009. The current assets at the end of fiscal year 2010 were \$157,337 higher than the current assets balance at the end of fiscal year 2009.

W.E.B. Du Bois Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Noncurrent assets decreased by \$183,952 (28.2%) to \$652,537 during the 2010 fiscal year. Noncurrent financial assets for the School are comprised of capital assets, net of accumulated depreciation. Total liabilities of the School decreased \$16,787 from those reported one year ago.

The total net assets reported for fiscal year 2010 decreased by \$9,828. Unrestricted net assets decreased by \$9,828 to (\$588,457) while restricted net assets were unchanged.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010.

Table 2
Change in Net Assets

	2010	2009
Operating Revenues:		
Foundation Payments	\$ 1,466,972	\$ 1,263,703
Other Operating Revenue	\$ (3,967)	\$ 4,966
Non Operating Revenues:		
State and Federal Grants	\$ 680,574	\$ 265,363
Contributions	\$ 38,231	\$ 27,376
Total Revenues	\$ 2,181,810	\$ 1,561,408
Operating Expenses:		
Salaries & Wages	\$ 786,024	\$ 619,639
Fringe Benefits	\$ 211,939	\$ 106,798
Purchased Services	\$ 904,895	\$ 512,535
Materials and supplies	\$ 48,311	\$ 7,354
Depreciation	\$ 185,375	\$ 185,090
Other Operating Expenses	\$ 40,977	\$ 101,172
Non-Operating Expenses:		
Interest Expense	\$ 14,117	\$ 23,075
Total Expenses	\$ 2,191,638	\$ 1,555,663
Change in Net Assets	\$ (9,828)	\$ 5,745
Net Assets, beginning of year	\$ (578,629)	\$ (584,374)
Net Assets, end of year	\$ (588,457)	\$ (578,629)

Total revenue was \$2,181,810 for fiscal year 2010 as a result of \$1,466,972 in foundation payments from the State of Ohio and other operating revenue and a total of \$710,574 in non-operating revenue. The non-operating revenue for the School was derived from \$680,574 in federal and state grants and \$30,000 in private contributions.

Expenses reported for fiscal year 2010 were \$2,191,638 with 46% directed toward salaries and benefits, 41% for purchases services, 2% for materials and supplies, 8% for depreciation, 1% for interest and 2% for other expenses.

W.E.B. Du Bois Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Capital Assets

At the end of fiscal year 2010, the School had \$652,537 invested in buildings, leasehold improvements, and furniture, fixtures and equipment. There was a total of \$1,423 in purchases which met the School's capitalization threshold during the year. See Note 5 of the basic financial statements for additional details.

Debt

For the past three years, the School has been in the process of recovering from the financial challenges of fiscal years 2004, 2005, and 2006. A major portion of the recovery plan was the repayment of outstanding notes associated with: (1) the purchase of the building located at 1812 Central Parkway (2) the improvements made to the 1812 Central Parkway building, and (3) the purchase of a school bus. In addition, the School obtained a line of credit in 2006 to support the ongoing cash flow needs of the School. The following is a schedule of notes payable at June 30, 2010:

Short-Term Debt – PNC Line of Credit	\$ 101,823
Loans Payable	<u>113,454</u>
Total Short-Term Debt	<u>\$ 215,277</u>
 <u>Long-Term Debt</u>	
Hubert Foundation – Promissory Note	960,392
Total	\$ 1,175,669
Less: Current Portion	<u>(215,277)</u>
Total Long-Term Debt	<u>\$ 960,392</u>

Contacting the School

This financial report is designed to provide a general overview of the finances of the W.E.B. Du Bois Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of W.E.B. DuBois Academy, 6640 Poe Avenue, Suite 400, Dayton, Ohio 45414.

W.E.B. Du Bois Academy
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 218,788
Receivable - Intergovernmental	67,487
Accounts Receivable	8,817
Total current assets	<u>295,092</u>

NON-CURRENT ASSETS

Capital Assets (Net of Accumulated Depreciation)	<u>652,537</u>
--	----------------

TOTAL ASSETS

947,629

LIABILITIES

CURRENT LIABILITIES

Line of Credit	101,823
Loans Payable	113,454
Accounts Payable	229,890
Accrued Wages Payable	109,145
Intergovernmental Payable	21,382
Total Current Liabilities	<u><u>575,694</u></u>

LONG-TERM LIABILITIES

Hubert Foundation – Promissory Note	<u>960,392</u>
Total Long-Term Liabilities	<u><u>960,392</u></u>

TOTAL LIABILITIES

1,536,086

NET ASSETS

Restricted	0
Unrestricted	<u>(588,457)</u>
TOTAL NET ASSETS	<u>\$ (588,457)</u>

See accompanying notes to the financial statements

W.E.B. Du Bois Academy

**STATEMENT OF REVENUES, EXPENSES and CHANGES in NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

OPERATING REVENUES	
Foundation Payments	\$ 1,466,972
Other Operating Revenues	<u>(3,967)</u>
Total Operating Revenues	<u>1,463,005</u>
OPERATING EXPENSES	
Salaries & Wages	786,024
Fringe Benefits	211,939
Purchased Services	904,895
Materials & Supplies	48,311
Depreciation	185,375
Miscellaneous	<u>40,977</u>
Total Operating Expenses	<u>2,177,521</u>
Operating Loss	<u>(714,516)</u>
NON-OPERATING REVENUES AND (EXPENSES)	
Federal Grants	675,574
State Grants	5,000
Contributions and Other Non-Operating Revenue	38,231
Interest Expense	<u>(14,117)</u>
Total Non-Operating Revenues and (Expenses)	<u>704,688</u>
CHANGE IN NET ASSETS	(9,828)
Net Assets Beginning of Year	<u>(578,629)</u>
Net Assets End of Year	<u>\$ (588,457)</u>

See accompanying notes to the financial statements

W.E.B. Du Bois Academy
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Cash received from Foundation Payments	\$ 1,466,972
Cash received from Other Operating Revenues	(3,967)
Cash payments for personal services	(934,046)
Cash payments for contract services	(779,482)
Cash payments for supplies and materials	(47,187)
Cash payments for Miscellaneous	<u>(35,160)</u>
Net Cash Provided By/(Used for) Operating Activities	<u>(332,870)</u>
Cash Flows from Noncapital Financing Activities:	
Cash payment on Line of Credit	(78,177)
Cash from Federal & State Subsidies	636,145
Cash received from Gifts & Donations	30,000
Net Cash Provided By Noncapital Financing Activities	<u>587,968</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(1,423)
Payments of Principal on Capital Debt	(129,907)
Payments for Interest on Capital Acquisitions	<u>(14,117)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(145,447)</u>
Net increase in cash and cash equivalents	109,651
Cash and cash equivalents at beginning of year	<u>109,137</u>
Cash and cash equivalents at end of year	<u>\$ 218,788</u>

(Continued)

See accompanying notes to the financial statements

W.E.B. Du Bois Academy
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

Operating Loss	<u>(714,516)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	185,375
Changes in Assets and Liabilities:	
(Increase) decrease in intergovernmental receivable	280
(Increase) decrease in accounts receivable	4,694
Increase (decrease) in Accounts Payable	132,072
Increase (decrease) in Accrued Wages	67,558
Increase (decrease) in Intergovernmental Payable	(8,333)
Total adjustments	<u>381,646</u>
Net cash provided (used for) operating activities	\$ <u><u>(332,870)</u></u>

See accompanying notes to the financial statements

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

1. Description of the School and Reporting Entity:

WEB DuBois Academy (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Using a direct instruction approach in teaching the students, the School's mission is its commitment to the academic and social development of the students. Scholastic subjects such as math, language, reading, and science are provided to students grades 3rd through 8th. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio State Board of Education (the Sponsor). The Thomas B. Fordham Foundation was the School's sponsor at the beginning of fiscal year 2008. The sponsorship of the School was transferred to the Educational Resources Consultants of Ohio (ERCO) in January 2008. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). 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 controls the School's instructional/support facility staffed by 9 non-certified and 12 certificated full time teaching personnel who provide services to 183 students.

The School was closed on June 30, 2010.

2. Summary of Significant Accounting Policies:

The financial statements of the School 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 School 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 School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School'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 (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

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 applied to a fund 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. The difference between total assets and liabilities are defined as net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

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.

Revenue 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. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time 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 Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School 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.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings	30 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	5 years

F. 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.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled \$1,466,972 and revenues associated with specific education grants from the state and federal governments totaled \$680,574 during fiscal year 2010.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Assets relating to expenses, which are due but unpaid as of June 30, 2010, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2010 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2010 that were paid in the subsequent fiscal year.

J. Federal Tax Exemption Status

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. 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. Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments:

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

At June 30, 2010, the carrying amount of the School's deposits was \$218,788 and the bank balance was \$270,625. All of the bank deposits were collateralized under FDIC insurance. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of Federal programs. Receivables at June 30, 2010 consisted of \$67,487 federal grants.

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Capital Assets:				
Buildings	\$ 629,061	\$ -	\$ -	\$ 629,061
Furniture and Equipment	120,456	1,423	-	121,879
Leasehold Improvements	1,472,117	-	-	1,472,117
Vehicles	<u>93,142</u>	<u>-</u>	<u>-</u>	<u>93,142</u>
 Total Assets	 <u>2,314,776</u>	 <u>1,423</u>	 <u>-</u>	 <u>2,316,199</u>
 Depreciation:				
Buildings	\$ (69,897)	\$(20,969)	\$ -	\$ (90,866)
Furniture and Equipment	(112,351)	(10,132)	-	(122,483)
Leasehold Improvements	(1,217,264)	(138,603)	-	(1,355,867)
Vehicles	<u>(78,775)</u>	<u>(15,671)</u>	<u>-</u>	<u>(94,446)</u>
 Accumulated Depreciation	 <u>(1,478,287)</u>	 <u>(185,375)</u>	 <u>-</u>	 <u>(1,663,662)</u>
 Net Capital Assets	 <u>\$ 836,489</u>			 <u>\$ 652,537</u>

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

6. Risk Management:

A. Property and Liability

The School 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 the year ended June 30, 2010, the School contracted with Indiana Insurance Company for its insurance coverage as follows:

General Liability per occurrence (\$0 Deductible)	\$1,000,000
General Liability aggregate	\$2,000,000

There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

The School 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 determined by the State.

C. Employee Medical and Dental Benefits

The School carries their medical and dental insurance through United Health Care. The School pays the first \$500 of medical and dental benefits for employees. The employee is responsible for the remainder of the premiums. For fiscal year 2010 the annual cost of medical insurance is based upon gender and age.

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2010 and 2009 were \$31,486 and \$20,088, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (888) 227-7877, or by visiting STRS Ohio web-site at www.strsoh.org.

Plan Options – New members have a choice of three retirement plan options, a Defined Benefit (DB) Plan, 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or lump sum withdrawal. The Combined Plan offers features of the DB Plan and the DC 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.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB 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.

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

For the fiscal year ended June 30, 2010 (the latest information currently available), plan members were required to contribute the statutory maximum of 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010 and 2009 were \$38,935 and \$27,879, respectively; 100 percent has been contributed for all fiscal years.

8. Post-employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations 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. By Ohio law, health care benefits are not guaranteed.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2009, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the School, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2010 and 2009 was \$2,781 and \$2,145, respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

A. Medicare Part B Plan

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76%. The School contributions for the years ended June 30, 2010 and 2009 were \$1,687 and \$1,657, respectively, which equaled the required contributions each year.

B. Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The school contributions assigned to health care for the years ended June 30, 2010 and 2009 were \$9,356 and \$13,170, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

9. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2010.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and 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. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2010 as a result of such review.

10. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.
2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.
3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

The total fee paid for these services during fiscal year 2010 was \$245,606.

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

11. Purchased Services:

During the fiscal year ended June 30, 2010, purchased service expenses for services rendered by various vendors were estimated as follows:

Professional and Technical Services	\$461,645
Contracted Fiscal Services	133,255
Property Services	53,949
Travel Mileage/Meeting Expenses	0
Communications	12,245
Utilities	44,358
Pupil Transportation	1,616
Contract Craft or Trade Services	<u>197,827</u>
Total Purchased Services	<u>\$904,895</u>

12. Debt Obligations:

The following is a schedule of notes payable at June 30, 2010:

Short-Term Debt

\$250,000 line of credit with PNC Bank due August 16, 2008, and subsequently extended. Interest on the outstanding balance is payable monthly and is based on the prime rate (3.25% at June 30, 2010). The line of credit is secured by all assets of the School.	\$ 101,823
Phase Two loan with PNC Bank. The loan is secured by all assets of the School. The interest rate is based on prime rate (7.28% at June 30, 2010).	\$ 113,454
Current portion of long-term debt.	<u>215,277</u>
Total Short-Term Debt	<u>\$ 215,227</u>

Long-Term Debt

\$1,700,000 Promissory Note to The Hubert Family Foundation payable in monthly principal installments of \$10,000 until paid. Interest on the outstanding balance is stated at 6%, but verbally has been waived. This note is secured by a mortgage on certain real and personal property.	\$ <u>960,392</u>
Total	\$ 1,175,669

W.E.B. Du Bois Academy
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The following are the pay-out agreements for the short-term and long-term debt:

\$250,000 line of credit with PNC Bank - \$101,823 paid off November 5, 2010. The remaining \$62,470 was written off by PNC Bank.

\$1,700,000 Promissory Note to The Hubert Family Foundation – building returned to The Hubert Family Foundation July 1, 2010. \$960,392 written off in exchange for return of building.

13. Capital Lease

The School has a ten year lease with Knowlton Terminals, Inc. for building space at 1905 Elm Street to be used for educational and administrative purposes. The lease includes a purchase option which must be exercised not less than six months prior to the end of the lease on July 13, 2013. In fiscal year 2010, there were lease obligations and additional fees due of \$47,900. All payments were made by the Cincinnati Speech & Reading Intervention Center because it had full use of the facility during fiscal year 2010.

14. Subsequent Events

On August 25, 2009, the Ohio Department of Education made the determination that the School would terminate operations as of June 30, 2010 due to poor academic performance as defined in section 3314.35 of the Ohio Revised Code.

15. Management Plan for Negative Net Assets

The financial plan for recovering from the negative net asset position is to restrict spending for all instruction, administration and operating expenses.

16. Noncompliance

Available data was not sufficient to prove that students were withdrawn from school once the student had missed 105 consecutive hours of school without a legitimate excuse. This resulted in the School being potentially overfunded for certain students and Findings for Recovery were issued for the overfunded amount.

The Cincinnati Speech and Reading Intervention Center made payments on behalf of WEB Dubois to two outside vendors based upon verbal agreements (as opposed to written agreements) to support the WEB lease payments.

17. Subsequent Event – Related Party Transaction

A short-term loan of \$121,916 was provided by Mangen & Associates to cover the payroll and benefits obligations for teachers for the stretch payments made during the months of July and August 2011 until funds were available. It was a 0% interest loan. A portion of the loan \$41,055 was paid back. The school has been unable to pay the remaining balance of \$80,861.

Payroll loan with Mangen and Associates - \$80,861 written off by Mangen and Associates.

**WEB DUBOIS ACADEMY
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program		10.553	\$25,692	\$25,692
National School Lunch Program	LLP4	10.555	<u>81,241</u>	<u>81,241</u>
Total U.S. Department of Agriculture			<u>106,933</u>	<u>106,933</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
ARRA - Special Education Grant to States (IDEA Part B)	6BSF	84.391	21,789	21,481
Special Education Grants to State (IDEA Part B)	6BSF	84.027	<u>42,617</u>	<u>45,578</u>
Total Special Education Cluster			64,406	67,059
ARRA Title I	C1S1	84.389	171,987	149,628
Title I	C1S1	84.010	240,085	219,819
Safe and Drug Free Schools	DRS1	84.186	1,090	1,511
Title V - Innovative Education Programs	C2S1	84.298	(179)	0
Educational Technology State Grants (Title II - D)	TJS1	84.318	(650)	0
Improving Teacher Quality State Grants (Title II-A)	TRS1	84.367	29,541	31,348
School Improvement Grants		84.377	18,085	3,728
ARRA - State Fiscal Stabilization Fund		84.394	94,078	94,078
Total U.S. Department of Education			<u>618,443</u>	<u>567,171</u>
Total			<u>\$725,376</u>	<u>\$674,104</u>

The accompanying notes are an integral part of this schedule.

**W.E.B. DU BOIS ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the WEB DuBois Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

The Academy has Alternative School Food Authority Arrangement with Cincinnati Speech and Reading Intervention Center filed with the Ohio Department of Education. The agreement provides for the Academy to process and collect proceeds of the School Breakfast and Lunch Programs then remit the proceeds to Cincinnati Speech and Reading Intervention Center. The amounts remitted to Cincinnati Speech and Reading Intervention Center are excluded from the Academy's Federal Awards Expenditures Schedule.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

W.E.B. Dubois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the financial statements of W.E.B. Dubois Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated September 12, 2011, wherein we noted that the Academy ceased operations as of June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

W.E.B. DuBois Academy
Hamilton County
Independent Accountants' Report on Internal Controls Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated September 12, 2011.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Directors, the Community School's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 12, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

W.E.B. DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

Compliance

We have audited the compliance of W.E.B. DuBois Academy, Hamilton County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of W.E.B. DuBois Academy's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, W.E.B. DuBois Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated September 12, 2011.

We intend this report solely for the information and use of the management, the Board of Directors, the Academy's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

September 12, 2011

**W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Finding For Recovery

Ohio Rev. Code, Section 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student. During the 2009-2010 school year, the School offered 6 hours of instruction per day; therefore, a student could not have missed more than 18 consecutive non-excused days before being considered withdrawn from the school.

School management is responsible for accurately entering and maintaining student information in the Community School Average Daily Membership (CSADM) database. The student files maintained by the School should substantiate the date a student withdraws from the School. When a student withdraws from the School the student file should be updated with a withdrawal form to support the withdrawal date.

**FINDING NUMBER 2010-001
 (Continued)**

Ohio Rev. Code, Section 3314.17(C), states that each fiscal officer appointed under section 3314.011 of the Revised Code is responsible for annually reporting the community school's data under section 3301.0714 of the Revised Code.

The Treasurer is responsible for ensuring the aforementioned student information was reported to the Ohio Department of Education's (ODE's) Community School Average Daily Membership (CSADM) and Education Management Information System (EMIS) databases.

During our review of student funding, we noted discrepancies relating to enrollment and withdrawal procedures for the school. For fiscal year 2010, ODE provided a base amount and a cost of doing business factor for weighted foundation amount for each student in attendance at the School totaling \$5,768.90. We divided the ODE funding amount by the 1008 hours of learning opportunities eligible for funding times 6 hours of instruction provided per day to arrive at a daily FTE unit rate per student of \$34.34. We multiplied the combined unallowable 179 days by the daily FTE unit rate of \$34.34 ($\$5,768.90/1008 \text{ hours} * 6 \text{ hours per day} = \34.34) to calculate ODE's overpayment to the School of \$6,146 ($\$34.34 * 179 \text{ days} = \$6,146$). Below is a chart summarizing our findings:

Student	Overfunding Issue	Days Overfunded	Overfunded Amounts
#1	Exceeded 18 days absent but is not on withdrawal listing until 1/11/10	16 * \$34.34	\$549.44
#2	Exceeded 18 days absent but is not on withdrawal listing until 10/19/09	19 * \$34.34	\$652.46
#3	Exceeded 18 days absent but is not on withdrawal listing	5 * \$34.34	\$171.70
#4	Exceeded 18 days absent but is not on withdrawal listing until 10/20/09	4 * \$34.34	\$137.36
#5	Exceeded 18 days absent but is not on withdrawal listing	135 * \$34.34	\$4,635.90
Total	Overfunding	179 * \$34.34	\$6,146.86

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended may be issued against WEB DuBois Academy in the amount of \$6,146 and in favor of the Ohio Department of Education.

ODE calculates and provides funding to the School through school foundation based upon student attendance. Because of the School's inability to provide sufficient records regarding enrollment, we were unable to test information submitted to ODE. As such, we are referring this issue to ODE for any action they deem necessary.

**FINDING NUMBER 2010-001
(Continued)**

Official's Response:

While the W.E.B Du Bois Academy Teachers confirmed the students listed above were in attendance during the days in question, their attendance records did not clearly identify the students as being in attendance. Therefore, there is no specific evidence to counter the auditor's findings.

FINDING NUMBER 2010-002

Noncompliance

Ohio Rev. Code, Section 3314.074, establishes the order of the distribution of assets when a community school permanently closes and ceases operations. In addition, **Ohio Rev. Code, Section 3314.015(E)**, provides that the Ohio Department of Education (ODE) shall adopt procedures for use by a community school governing authority and sponsor when the school closes.

The Ohio Department of Education terminated the operations of the WEB DuBois Academy as of June 30, 2010. The Ohio Department of Education's "*Community School Closing Procedures Guidance*" contains the required actions for when a community school closes. The WEB DuBois sponsor completed the ODE "*Community School Closing Procedures Guidance*" and signed off on the procedures; however, the Treasurer of the Academy did not present the financial information required for the close out period. The Treasurer provided to the auditors via e-mail a brief summary of financial activity for the close out period, but this summary did not present the required detail and was never incorporated into the financial statements. Also, neither the Treasurer nor the sponsor provided documentation sufficient to support the summary. Because we were not provided with financial statements or supporting documentation for the close-out period, we were unable to perform any audit procedures for the distribution of the Academy's assets or payments to creditors after the official closure date.

This matter will be referred to the Ohio Department of Education.

Official's Response:

The School's Sponsor (ERCO) and the School's Treasurer completed all of the closure assurances as outlined by the Ohio Department of Education. The cost of having an additional audit of this information was determined to be cost prohibitive.

FINDING NUMBER 2010-003

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that:

- Accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- All transactions are properly classified and recorded on the books and in the annual report.

The following conditions indicate a lack of management internal control:

The Academy recorded PNC Line of Credit principal payments during the year as negative receipts totaling \$62,470. This activity should have been recorded as principal payments for the Academy's debt. The financial statements have been corrected for this error.

**FINDING NUMBER 2010-003
(Continued)**

After fiscal year end, Mangen and Associates loaned the Academy \$121,916 of which \$41,055 of the loan was repaid. The draft statements presented for audit included a posting for the unpaid balance of the loan of \$80,861 resulting in an overstatement of assets and liabilities on the balance sheet rather than disclosing this activity in the notes to the statements. The financial statements and notes to the financial statements have been corrected for this error.

We recommend that all receipts and disbursements be properly posted and reviewed for accuracy to help ensure the accuracy of the external financial reporting process. The Academy should also establish procedures for timely reconciliation to assist in detecting posting errors.

Official's Response:

Mangen & Associates donated a total of \$80,681 to ensure all W.E.B Du Bois Academy employees received full payroll and benefits during the close-out period. The accounting methodology used to record this contribution was identical to previous audit periods.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WEB DUBOIS ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	FFR – Overfunding of students	No	Reissued as Finding 2010-001
2009-002	Noncompliance with lease agreement	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

W.E.B. DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

Ohio Rev. Code, Section 117.53, states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether W.E.B. DuBois Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code, Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not adopt an anti-harassment policy.
2. Due to the lack of a policy, the following requirements from Ohio Rev. Code Section 3313.666(B) were not met:
 - (1) The policy did not contain a statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) The policy did not contain a definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) The policy did not contain a procedure for reporting prohibited incidents;
 - (4) The policy did not contain a requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) The policy did not contain a requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) The policy did not contain a procedure for documenting any prohibited incident that is reported;
 - (7) The policy did not contain a procedure for responding to and investigating any reported incident;

- (8) The policy did not contain a strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) The policy did not contain a disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) The policy did not contain a requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Dave Yost
Auditor of State

September 12, 2011



Dave Yost • Auditor of State

WEB DUBOIS ACADEMY

HAMILTON 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
OCTOBER 11, 2011**