



**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC.,  
dba WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets as of June 30, 2004	9
Statement of Revenues, Expenses and Changes in Fund Net Assets for the Fiscal Year Ended June 30, 2004	10
Statement of Cash Flows for the Fiscal Year Ended June 30, 2004	11
Notes to the Basic Financial Statements	13
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

We have audited the accompanying basic financial statements of the Washington Park Community School, Cuyahoga County, Ohio, (the School), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the School'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Park Community School, Cuyahoga County, Cuyahoga County, Ohio, as of June 30, 2004, and the respective 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.

As described in Note XIII, during the year ended June 30, 2004, the School implemented a new financial reporting model, as required by provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosure", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2005 on our consideration of the School'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 controls 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 compliance with this report in assessing the results of our audit.

Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County  
Independent Accountants' Report  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

May 10, 2005

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

---

The discussion and analysis of Newburgh Heights Community School Foundation, Inc., dba Washington Park Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the Notes to the Basic Financial Statements and the Financial Statements to enhance their understanding of the School's financial performance.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$57,136, which represents 16.0% increase from 2003. This increase is due primarily to increased state funding and federal subsidies.
- Total assets increased \$58,490, which represents a 13.6% increase from 2003. This increase is due primarily to an increase in the year end cash balance of \$100,872. The increase in cash balance is the result of increased State and Federal funding.
- Liabilities increased \$1,354, which represents a 1.9% increase from 2003. Accrued wages and benefits increased by \$27,378; leases payable decreased by \$3,260 and accounts payable decreased by \$22,764.
- Operating revenues increased by \$227,584, which represents a 25% increase from 2003. The majority of this increase (\$222,542) is due to increased enrollment resulting in increased state funding and Federal subsidies.
- Operating expenses increased by \$262,097, which represents a 26.6% increase from 2003. Operating expense increases are due to services delivered for the increased enrollment, annual increases in service costs and additional services paid with non-operating revenues.
- Non-operating revenues increased by \$29,945, which represents a 25.0% increase from 2003. This increase is due to increased state and Federal grants.

### **Using this Annual Financial Report**

This annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements and the Notes to the Basic Financial Statements. The Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

---

**Statement of Net Assets**

The Statement of Net Assets looks at how well the School has performed financially from inception through June 30, 2004. This Statement includes all of the assets, liabilities and net asset balances using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary of the School's Statement of Net Assets for fiscal years ended June 30, 2004 and June 30, 2003:

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash	\$184,087	\$83,215
Other Current Assets	4,983	13,840
Capital Assets	<u>298,934</u>	<u>332,459</u>
 Total Assets	 <u>488,004</u>	 <u>429,514</u>
 <b>Liabilities</b>		
Current Liabilities	74,161	72,242
Long-Term Liabilities	<u>0</u>	<u>565</u>
 Total Liabilities	 <u>74,161</u>	 <u>72,807</u>
 <b>Net Assets</b>		
Net Assets	<u>413,843</u>	<u>356,707</u>
 Total Liabilities and Net Assets	 <u>\$488,004</u>	 <u>\$429,514</u>

Net assets increased \$57,136, due primarily to increased State and Federal subsidies and grants. For assets, cash increased \$100,872; due from other governments decreased \$8,857; and capital assets decreased \$33,525 from 2003. For liabilities, accounts payable decreased \$22,764; accrued wages and benefits increased \$27,378; and leases payable decreased \$3,260 from 2003.



**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

---

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets report operating and non-operating activities for the fiscal year ended June 30, 2004.

The following schedule provides a summary of the School's Statement of Revenues, Expenses and Changes in Net Assets for fiscal years ended June 30, 2004 and June 30, 2003:

	2004	2003
<b>Revenues</b>		
Foundation and DPIA Revenues	\$1,147,677	\$925,135
Other Operating Revenues	5,574	532
Federal and State Grants	146,170	119,852
Private Grants and Contributions	3,627	0
Total Revenues	1,303,048	1,045,519
<b>Expenses</b>		
Salaries	669,135	560,510
Fringe Benefits	132,481	115,982
Purchased Services	309,788	130,566
Materials and Supplies	92,432	144,628
Depreciation	39,629	18,872
Other Operating Expenses	2,447	13,257
Total Expenses	1,245,912	983,815
<b>Net Income</b>	57,136	61,704
Net Assets at Beginning of Year	356,707	295,003
<b>Net Assets at End of Year</b>	\$413,843	\$356,707

Net assets increased in fiscal years ended June 30, 2004 and June 30, 2003. This is due, in part, to increasing revenues due to increasing enrollment in 2003 and DPIA funding. Although certain expenditures such as salaries will increase as the number of classes increases, other costs remain fixed such as facilities costs resulting in more efficient operations.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

---

The most significant increases in revenues from 2003 to 2004 are Foundation and DPIA (increased \$222,542); Other Operating Revenues (increased \$5,042); and Federal and State Grants (increased \$26,318) due primarily to enrollment increases.

Most areas of expenses increased from 2003 to 2004. Salaries and Fringe Benefits increased (\$125,124) due to additional staffing and annual increases; Purchased Services increased (\$179,222) due to additional instructional services, student support services and administrative services. Materials and Supplies decreased (\$52,196). Depreciation increased (\$20,757) due to an increase in capital assets in 2004.

**Capital Assets**

As of June 30, 2004, the School had capital assets of \$298,934 invested in furniture and equipment and leasehold improvements. This is a \$33,525 decrease over June 30, 2003.

The following schedule provides a summary of the School's capital assets as of June 30, 2003 and June 30, 2004:

	2004	2003
<b>Capital Assets (Net of Depreciation)</b>		
Furniture and Equipment	\$13,112	\$10,901
Leasehold Improvements	285,822	251,691
Construction-in-Progress	0	69,867
Net Capital Assets	\$298,934	\$332,459

For more information on capital assets, see the Notes to the Basic Financial Statements.

**Current Financial Issues**

Washington Park Community School had a total of 182 students, nine teaching staff members and expenses of \$1,245,912 for fiscal year ended June 30, 2004. As the School matures, we strive to maintain the high level of services we currently offer, to provide a strong educational product to our students and families and to maintain the reputation we have developed during these initial years.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited**

---

**Contacting the School's Financial Management**

This financial report is designed to provide our constituents with a general overview of the School's finances and to show the School's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Ms. Beth Hargreaves, Treasurer, Newburgh Heights Community School Foundation, Inc., dba Washington Park Community School, 4000 Washington Park Boulevard, Newburgh Heights, Ohio 44105.

**This page intentionally left blank.**

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County, Ohio  
Statement of Fund Net Assets  
For the Fiscal Year Ended June 30, 2004**

---

**Assets**

Current Assets:

Cash	\$184,087
Due From Other Governments	<u>4,983</u>

Total Current Assets	189,070
----------------------	---------

Noncurrent Assets:

Depreciable Capital Assets, Net of Accumulated Depreciation	<u>298,934</u>
---	----------------

<i>Total Assets</i>	<u>488,004</u>
---------------------	----------------

**Liabilities**

Accrued Wages and Benefits	73,596
Capital Leases Payable	<u>565</u>

<i>Total Liabilities</i>	<u>74,161</u>
--------------------------	---------------

**Net Assets**

Invested in Capital Assets, Net of Related Debt	298,369
Unrestricted	<u>115,474</u>

<i>Total Net Assets</i>	<u><u>\$413,843</u></u>
-------------------------	-------------------------

See Accountant's Compilation Report.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County, Ohio  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Fiscal Year Ended June 30, 2004**

---

**Operating Revenues**

Foundation and DPIA Revenues	\$1,147,677
Other Operating Revenues	<u>5,574</u>

*Total Operating Revenues* 1,153,251

**Operating Expenses**

Salaries	669,135
Fringe Benefits	132,481
Purchased Services	309,788
Materials and Supplies	92,432
Depreciation	39,629
Other Operating Expenses	<u>2,447</u>

*Total Operating Expenses* 1,245,912

*Operating (Loss)* (92,661)

**Non-Operating Revenues**

Federal and State Subsidies	146,170
Private Grants and Contributions	<u>3,627</u>

*Total Non-Operating Revenues* 149,797

*Net Income* 57,136

*Net Assets at Beginning of Year* 356,707

*Net Assets at End of Year* \$413,843

See Accountant's Compilation Report.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County, Ohio  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2004**

---

**Increase (Decrease) in Cash**

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$1,147,677
Cash Payments to Suppliers for Goods and Services	(420,359)
Cash Payments to Employees for Services	(774,238)
Other Operating Revenues	5,574
Other Operating Expenses	(7,072)
	<hr/>

*Net Cash (Used for) Operating Activities* 

---

(48,418)

**Cash Flows from Noncapital Financing Activities**

Federal and State Grants Received	155,027
Private Grants and Contributions	3,627
	<hr/>

*Net Cash Provided by Noncapital Financing Activities* 

---

158,654

**Cash Flows from Capital and Related Financing Activities**

Acquisition of Capital Assets	(6,104)
Cash Payment on Capital Lease	(3,260)
	<hr/>

*Net Cash (Used for) Capital and Related Financing Activities* 

---

(9,364)

*Net Increase in Cash and Cash Equivalents* 100,872

*Cash and Cash Equivalents Beginning of Year* 

---

83,215

*Cash and Cash Equivalents End of Year* 

---

\$184,087

**Reconciliation of Operating Gain (Loss) to Net Cash  
Provided by (Used in) Operating Activities**

Operating (Loss) (\$92,661)

**Adjustments to Reconcile Operating (Loss) to Net Cash  
Provided by (Used in) Operating Activities**

Depreciation 39,629

Changes in Assets and Liabilities:

Accounts Payable	(22,764)
Accrued Wages and Benefits	27,378
	<hr/>

*Net Cash (Used in) Operating Activities* 

---

(\$48,418)

See Accountant's Compilation Report.

**This page intentionally left blank.**



**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**I. Description of the School and Reporting Entity**

Newburgh Heights Community School Foundation, Inc., dba, Washington Park Community School (the School) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new start-up school in Cleveland Municipal School District. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was approved for operation under contract with the State of Ohio for a period of five years commencing with the fiscal year ended June 30, 2001.

The School operates under the direction of a self-appointing, three member Board of Trustees. 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 one instructional/support facility staffed by eight noncertificated employees and nine certificated full-time teaching personnel who provide services to approximately 182 students.

**II. 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 more significant of the School's accounting policies are described below.

**1. 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.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**II. Summary of Significant Accounting Policies (Continued)**

2. 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 (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

3. Cash

All monies received are deposited in demand deposit accounts.

4. 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 School's contract with the Ohio Department of Education. The contract between the School and the Ohio Department of Education does not prescribe a budgetary process requirement.

5. Due From Other Governments

Moneys due the School for the year ended June 30, 2004 are recorded as "Due From Other Governments". A current asset for the receivable is recorded at the time of the event causing the moneys to be due.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**II. Summary of Significant Accounting Policies (Continued)**

6. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School does not possess any infrastructure.

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

Depreciation of furniture and equipment and leasehold improvements is computed using the straight-line method over their estimated lives. All items with a useful life of one year or greater and a value of \$500 or more are capitalized.

<u>Capital Asset Classification</u>	<u>Years</u>
Furniture and Equipment	5
Leasehold Improvements	5 - 39

7. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid Program (DPIA). Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Amounts awarded under the above named programs for the 2004 school year totaled \$1,293,847.

8. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar, therefore, the School does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one day per month and cannot be carried into the subsequent year. No accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**II. Summary of Significant Accounting Policies (Continued)**

9. Use of 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.

**III. Deposits**

At fiscal year end June 30, 2004, the carrying amount of the School's deposits totaled \$184,087 and its bank balance was \$192,191. Of the bank balance \$100,000 was covered by the Federal Depository Insurance Corporation for the fiscal year ended June 30, 2004. The Ohio Depository Act stipulates that FirstMerit Bank pledge collateral for the deposits of the School in a pool of securities under Section 135.181 of the Ohio Revised Code.

**IV. Capital Assets**

A summary of the School's capital assets at June 30, 2004 follows:

	Balance 07/01/2003	Additions	Deletions	Balance 06/30/2004
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$69,867	\$0	(\$69,867)	\$0
Total Capital Assets, Not Being Depreciated	<u>69,867</u>	<u>0</u>	<u>(69,867)</u>	<u>0</u>
Capital Assets, Being Depreciated:				
Furniture and Equipment	15,985	6,104	0	22,089
Leasehold Improvements	272,292	69,867	0	342,159
Total Capital Assets, Being Depreciated	<u>288,277</u>	<u>75,971</u>	<u>0</u>	<u>364,248</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(5,085)	(3,892)	0	(8,977)
Leasehold Improvements	(20,600)	(35,737)	0	(56,337)
Total Accumulated Depreciation	<u>(25,685)</u>	<u>(39,629)</u>	<u>0</u>	<u>(65,314)</u>
Total Capital Assets, Net	<u>\$332,459</u>	<u>\$36,342</u>	<u>(\$69,867)</u>	<u>\$298,934</u>

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**V. Purchased Services**

Purchased services include the following:

Consulting Fees	\$89,388
General Services	219,150
Professional Development	<u>1,250</u>
 Total	 <u><u>\$309,788</u></u>

**VI. Capital Lease Obligation**

The School entered into a capitalized lease agreement for a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards (FASB) No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The following is a schedule of the future minimum lease payments as of June 30, 2004:

2005	<u>\$570</u>
Total future minimum lease payments	570
Less: amount representing interest	<u>(5)</u>
 Present value of future minimum lease payments	 565
Less: current portion of capital lease obligation	<u>(565)</u>
 Long-term capital lease obligation	 <u><u>\$0</u></u>

The School paid \$3,260 for this lease agreement for the fiscal year ended June 30, 2004.

The copier leased by the School has a capitalized cost of \$9,260 less accumulated depreciation of \$5,401 at June 30, 2004.

**VII. Risk Management**

1. Property and Liability Insurance

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 fiscal year 2004, the School contracted with Indiana Insurance Company for property and general liability insurance with a \$2,000,000 aggregate limit.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**VII. Risk Management (Continued)**

2. Workers' Compensation

The School 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.

3. Employee Medical, Dental and Vision Benefits

The School has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits. The School paid premiums, up to \$250 per month per employee, for this coverage.

**VIII. Defined Benefit Pension Plans**

1. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employee's Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of 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 a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$25,822, \$36,290 and \$17,302 respectively; 99.96 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**VIII. Defined Benefit Pension Plans (Continued)**

2. 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. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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, 2002. 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.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**VIII. Defined Benefit Pension Plans (Continued)**

For the fiscal year ended June 30, 2004, plan members were required to contribute ten 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 percent for members and 14 percent 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 the DB Plan for the fiscal years ended June 30, 2004 was \$46,906; 93.46 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. As of June 30, 2004, the School owed \$4,523 which is reflected as "Accrued Wages and Benefits" in the accompanying financial statements.

**IX. Post-Employment Benefits**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated 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 System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The retirement board currently allocates employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School, this amount equaled \$3,608 for fiscal year 2004 and \$1,117 for fiscal year 2003. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,793,000 and eligible benefit recipients totaled 111,853.

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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. Employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of 92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400.



**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**IX. Post-Employment Benefits (Continued)**

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 School, the amount contributed to fund health care benefits, including surcharge, equaled \$17,283 for fiscal year 2004.

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

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

**XI. Contingencies**

1. Grants

The School received financial assistance form 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 for such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2004.

2. Litigation

The School is not currently a party to any legal proceedings which would have a material impact on the financial statements.

**NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., dba  
WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

---

---

**XI. Contingencies (Continued)**

3. Enrollment FTE

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Based on ODE's review, there are no adjustments to the state funding received during fiscal year 2004.

**XII. Rental Agreement**

Effective May 16, 2003, the School entered into a new rental agreement with the Village of Newburgh Heights, Ohio, for the use of classrooms and office space. This agreement commenced on January 1, 2004 and was for the period of one year with renewal options every year for three years.

**XIII. Change in Accounting Principles**

For fiscal year 2004, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". GASB Statement No. 34 creates new basic financial statements for reporting on the School's financial activities. The financial statements now include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows all prepared on an accrual basis of accounting. As a result of this change, certain financial statement amounts presented for the prior year have been reclassified in order to be consistent with the current year's presentation.



## **Auditor of State Betty Montgomery**

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

Board of Directors  
Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

We have audited the financial statements of the Washington Park Community School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2004, which comprise the School's basic financial statements and have issued our report thereon dated May 10, 2005, wherein we noted the School adopted Governmental Accounting Standards Board (GASB) Statements No. 34, 37, 38, and GASB Interpretation No. 6. 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 School's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated May 10, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Washington Park Community School  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

May 10, 2005



**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

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA 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 21, 2005**