

**Newburgh Heights Community  
School Foundation, Inc. dba  
Washington Park Community  
School, Cuyahoga County**

\* \* \*

*Basic Financial Statements*

*Fiscal Years Ended June 30, 2007 and 2006*





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Washington Park Community School  
4000 Washington Park Blvd  
Newburgh Heights, Ohio 44105

We have reviewed the *Independent Auditor's Report* of the Washington Park Community School, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 30, 2007

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

*For the Fiscal Years Ended June 30, 2007 and 2006  
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## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 15, 2007

The Board of Directors  
Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44106

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the Washington Park Community School (the School), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Washington Park Community School, as of June 30, 2007 and 2006, and the respective changes in financial position and 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 October 15, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hea & Associates, Inc.*

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County**

*Management's Discussion and Analysis  
For Fiscal Years Ended June 30, 2007 and 2006*

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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, 2007 and 2006. 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 Basic Financial Statements to enhance their understanding of the School's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. Due to the comparative presentation within the basic financial statements, a comparison analysis between fiscal year 2006 and fiscal year 2005 is also required.

### **Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets decreased \$108,148, which represents a 14% decrease from 2006. This decrease is due primarily to an increasing payroll expense.
- Total assets increased \$4,740, which represents a .5% increase from 2006. This increase is due primarily to an increase in the year end cash balance of \$57,593. The increase in cash balance is the result of increased State and Federal funding.
- Liabilities, which are made up of accrued wages and benefits, increased \$112,888, which represents a 146% increase from 2006. This increase is primarily due to the school needing a two month accrual for Salary, Wages and Benefits instead of a one month accrual in 2006. The school changed the contract period for personnel.
- Operating revenues increased by \$31,859, which represents a 2% increase from 2006. The majority of this increase is due to increased enrollment resulting in increased state funding.
- Operating expenses increased by \$400,261, which represents a 24.7% increase from 2006. 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 \$39,103, which represents a 16.2% increase from 2006. 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 Basic Financial Statements and the Notes to the Basic Financial Statements. The Basic 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  
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*Management's Discussion and Analysis  
For Fiscal Years Ended June 30, 2007 and 2006*

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**Statement of Net Assets**

The following schedule provides a summary of the School's Statement of Net Assets for fiscal years ended June 30, 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>			
<i>Current assets:</i>			
Equity in pooled cash	\$ 650,933	\$ 593,340	\$ 381,973
Due from other governments	5,247	5,826	5,653
<i>Total current assets</i>	<u>656,180</u>	<u>599,166</u>	<u>387,626</u>
<i>Noncurrent assets:</i>			
Capital assets (net of accumulated depreciation)	226,188	278,462	291,884
<i>Total assets</i>	<u>882,368</u>	<u>877,628</u>	<u>679,510</u>
<b>Liabilities</b>			
<i>Current liabilities:</i>			
Accrued wages and benefits	189,879	76,991	100,024
<i>Total current liabilities</i>	<u>189,879</u>	<u>76,991</u>	<u>100,024</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	226,188	278,462	291,884
Unrestricted	466,301	522,175	287,602
<i>Total net assets</i>	<u>\$ 692,489</u>	<u>\$ 800,637</u>	<u>\$ 579,486</u>

In 2007, net assets decreased \$108,148 and in 2006, net assets increased \$221,151. Both increases are primarily due to increased State and Federal subsidies and grants. For assets, cash increased \$57,593 in 2007 and \$211,367 in 2006; due from other governments decreased \$579 in 2007 and increased \$173 in 2006; and capital assets decreased \$52,274 in 2007 and \$13,422 in 2006. For liabilities, accrued wages and benefits increased \$112,888 in 2007 and decreased by \$23,033 in 2006.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County**  
*Management's Discussion and Analysis  
For Fiscal Years Ended June 30, 2007 and 2006*

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

The Statement of Revenues, Expenses and Changes in Net Assets report operating and nonoperating activities for the fiscal years ended June 30, 2007 and 2006.

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, 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>			
Foundation and DPIA Revenues	\$ 1,619,005	\$ 1,587,240	\$ 1,444,613
Other Operating Revenue	13,172	14,194	14,354
Federal and State Grants	266,936	241,181	221,249
Investment income	13,348	0	0
Charges for services	1,116	0	0
	<u>1,913,577</u>	<u>1,842,615</u>	<u>1,680,216</u>
<b>Expenses</b>			
Salaries	1,169,745	957,700	828,375
Fringe Benefits	269,133	179,137	213,634
Purchased Services	339,086	241,713	252,157
Materials and Supplies	127,172	144,079	151,338
Depreciation	63,380	54,007	48,627
Other Operating Expenses	53,209	44,828	20,442
	<u>2,021,725</u>	<u>1,621,464</u>	<u>1,514,573</u>
<b>Net Income</b>	(108,148)	221,151	165,643
Net Assets at Beginning of Year	<u>800,637</u>	<u>579,486</u>	<u>413,843</u>
<b>Net Assets at End of Year</b>	<u>\$ 692,489</u>	<u>\$ 800,637</u>	<u>\$ 579,486</u>

Net assets increased in fiscal years ended June 30, 2006 and 2005 and decreased for fiscal year ended June 30, 2007. This is due, in part, to increased revenues generated from the increase in enrollment in 2007, 2006 and 2005, and also Disadvantaged Pupil Impact Aid (DPIA) funding. Although certain expenditures such as salaries will increase as the number of classes increase, other costs remain fixed such as facilities costs resulting in more efficient operations. The increased student population has been the result of additional grade levels. The school does not presently intend to add more grade levels, so the increase in revenues will probably not increase in the near future. For that reason, school management is

**Newburgh Heights Community School Foundation, Inc., dba  
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Cuyahoga County**  
*Management's Discussion and Analysis  
For Fiscal Years Ended June 30, 2007 and 2006*

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wary of the increasing bottom line and plans to begin an investment program to most appropriately capitalize on present assets.

The most significant increases in revenues is State Foundation funding and DPIA, which increased \$31,765 in 2007 and \$142,627 in 2006; Other Operating Revenues decreased \$1,022 in 2007 and decreased by \$160 in 2006; and Federal and State Grants increased \$25,755 in 2007 and \$19,932 in 2006 primarily due to enrollment increases.

Salaries and Fringe Benefits increased \$302,041 in 2007 and \$94,828 in 2006 due to additional staffing and annual increases. Purchased Services increased \$97,373 in 2007 and decreased \$10,444 in 2006. Materials and Supplies decreased \$16,907 in 2007 and decreased by \$7,259 in 2006. Depreciation increased \$9,373 in 2007 and \$5,380 in 2006 due to an increase in capital assets in 2007 and 2006.

**Capital Assets**

As of June 30, 2007, the School had capital assets of \$226,188 invested in furniture and equipment and leasehold improvements. This is a \$52,274 decrease over June 30, 2006. This was primarily the result of the recognition of depreciation expense.

The following schedule provides a summary of the School's capital assets as of June 30, 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Capital Assets (Net of Depreciation)</b>			
Furniture and Equipment	\$ 46,803	\$ 53,514	\$ 6,062
Leasehold Improvements	<u>179,385</u>	<u>224,948</u>	<u>285,822</u>
 Net Capital Assets	 <u>\$ 226,188</u>	 <u>\$ 278,462</u>	 <u>\$ 291,884</u>

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

**Current Financial Issues**

Washington Park Community School had a total of 234 students, 21 teaching staff members and expenses of \$2,021,725 for fiscal year ended June 30, 2007. 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.

**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.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School**  
*Statements of Net Assets*  
*June 30, 2007 and 2006*

	2007	2006
<b>Assets</b>		
<i>Current assets:</i>		
Equity in pooled cash	\$ 650,933	\$ 593,340
Due from other governments	5,247	5,826
<i>Total current assets</i>	<u>656,180</u>	<u>599,166</u>
<i>Noncurrent assets:</i>		
Capital assets (net of accumulated depreciation)	<u>226,188</u>	<u>278,462</u>
<i>Total assets</i>	<u>882,368</u>	<u>877,628</u>
<b>Liabilities</b>		
<i>Current liabilities:</i>		
Accrued wages and benefits	<u>189,879</u>	<u>76,991</u>
<i>Total current liabilities</i>	<u>189,879</u>	<u>76,991</u>
<b>Net assets</b>		
Invested in capital assets	226,188	278,462
Unrestricted	<u>466,301</u>	<u>522,175</u>
<i>Total net assets</i>	<u>\$ 692,489</u>	<u>\$ 800,637</u>

See accompanying notes to the basic financial statements.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School**  
*Statements of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Years Ended June 30, 2007 and 2006*

	2007	2006
<b>Operating revenues</b>		
Foundation payments	\$ 1,619,005	\$ 1,587,240
Charges for services	1,116	0
Other operating revenues	13,172	14,194
<i>Total operating revenues</i>	1,633,293	1,601,434
<b>Operating expenses</b>		
Salaries	1,169,745	957,700
Fringe benefits	269,133	179,137
Purchased services	339,086	241,713
Materials and supplies	127,172	144,079
Depreciation	63,380	54,007
Other operating expenses	53,209	44,828
<i>Total operating expenses</i>	2,021,725	1,621,464
<i>Operating income (loss)</i>	(388,432)	(20,030)
<b>Non operating revenues (expenses)</b>		
Federal and State subsidies	266,936	241,181
Investment income	13,348	0
<i>Total non-operating revenues (expenses)</i>	280,284	241,181
<i>Change in net assets</i>	(108,148)	221,151
<i>Net assets at beginning of year</i>	800,637	579,486
<i>Net assets at the end of the year</i>	\$ 692,489	\$ 800,637

See accompanying notes to the basic financial statements.

**Newburgh Heights Community School Foundation, Inc., dba**  
**Washington Park Community School**  
*Statements of Cash Flows*  
For the Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
<b>Increase (decrease) in cash</b>		
<b>Cash flows from operating activities:</b>		
Cash received from State of Ohio	\$ 1,619,584	\$ 1,587,067
Cash payments to suppliers for goods and services	(466,258)	(384,666)
Cash payments to employees for services	(1,325,990)	(1,159,870)
Other operating revenues	14,288	14,194
Other operating expenses	(53,209)	(44,828)
<i>Net cash provided by (used for) operating activities</i>	(211,585)	11,897
<b>Cash flows from non-capital financing activities:</b>		
Federal and State grants received	266,936	241,181
<i>Net cash provided by (used for) non-capital activities</i>	266,936	241,181
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(11,106)	(41,711)
<i>Net cash provided by (used for) capital and related financing activities</i>	(11,106)	(41,711)
<b>Cash flows from investing activities:</b>		
Investment earnings	13,348	0
<i>Net cash provided by (used for) investing activities</i>	13,348	0
<i>Net increase (decrease) in cash and cash equivalents</i>	57,593	211,367
<i>Cash and cash equivalents at beginning of year</i>	593,340	381,973
<i>Cash and cash equivalents at end of year</i>	\$ 650,933	\$ 593,340
<b>Reconciliation of operating income (loss) to net cash Provided By (Used For) Operating Activities:</b>		
Operating income (loss)	\$ (388,432)	\$ (20,030)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	63,380	54,007
Donation of capital assets	0	1,126
(Increase) decrease in assets:		
Due from other governments	579	(173)
Increase (decrease) in liabilities:		
Accrued wages and benefits	112,888	(23,033)
<i>Total adjustments</i>	176,847	31,927
<i>Net cash provided by (used for) operating activities</i>	\$ (211,585)	\$ 11,897

See accompanying notes to the basic financial statements.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County**

*Notes to the Basic Financial Statements  
For Fiscal Years Ended 30, 2007 and 2006*

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## **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. The School, which is part of the State's education program, is independent of any School 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 reassigned for operation under a contract with the Ohio Department of Education to the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing in the 2006 academic year. 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 self-appointing, 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 one instructional/support facility staffed by 13 non-certificated employees and 21 certificated full-time teaching personnel who provide services to approximately 234 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 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The School has elected not to follow FASB guidance for its proprietary activities issued after November 30, 1989.

The following are the most significant of the School's accounting policies.

### **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 Fiscal Years Ended 30, 2007 and 2006*

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## 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, except section 5705.391 which requires the School to prepare a five year projection of operational revenues and expenditures.

## 5. Due From Other Governments

Monies due the School for the year ended June 30, 2007 and 2006 are recorded as "Due From Other Governments". A current asset for the receivable is recorded at the time of the event causing the monies to be due.

## 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.

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County**

*Notes to the Basic Financial Statements  
For Fiscal Years Ended 30, 2007 and 2006*

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<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 Poverty Aid Program. 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 2007 and 2006 school years totaled \$1,885,941 and \$1,828,421 respectively.

#### 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.

#### 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 and Investments**

At fiscal years ended June 30, 2007 and 2006, the carrying amount of the School's deposits totaled \$650,933 and \$593,340, respectively and its bank balances were \$708,377 and \$638,600, respectively. Of the bank balances:

1. \$200,000 was covered by the Federal Depository Insurance Corporation for fiscal year ended June 30, 2007 and \$100,000 for fiscal year ended June 30, 2006. 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.
2. \$508,377 and \$538,600 was uninsured and uncollateralized for fiscal years ended June 30, 2007 and 2006. Although the securities serving as collateral were held by the pledging institution's name, and all

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*Notes to the Basic Financial Statements  
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State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School.

**Credit Risk:** The School had no investments either of the fiscal years.

**Concentration of Credit Risk:** The School places no limit on the amount the School may invest in any one issuer. Deposits are either covered by the Federal Depository Insurance Corporation or secured with pledged collateral, held and in the name of the pledging institution, in which the investments are held.

Protection of School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**IV. Capital Assets**

A summary of the School's capital assets at June 30, 2007 and 2006 follows:

	Balance 07/01/06	Additions	Deletions	Transfers	Balance 06/30/07
Capital Assets, Being Depreciated:					
Furniture and Equipment	\$ 81,913	\$ 11,106	\$ 0	\$ 0	\$ 93,019
Leasehold Improvements	354,633	0	0	0	354,633
Total Capital Assets, Being Depreciated	<u>436,546</u>	<u>11,106</u>	<u>0</u>	<u>0</u>	<u>447,652</u>
Less Accumulated Depreciation:					
Furniture and Equipment	(28,399)	(17,817)	0	0	(46,216)
Leasehold Improvements	(129,685)	(45,563)	0	0	(175,248)
Total Accumulated Depreciation	<u>(158,084)</u>	<u>(63,380)</u>	<u>0</u>	<u>0</u>	<u>(221,464)</u>
Total Capital Assets, Net	<u>\$ 278,462</u>	<u>\$ (52,274)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 226,188</u>

**Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County**

*Notes to the Basic Financial Statements  
For Fiscal Years Ended 30, 2007 and 2006*

	Balance 07/01/05	Additions	Deletions	Transfers	Balance 06/30/06
Capital Assets, Being Depreciated:					
Furniture and Equipment	\$ 56,444	\$ 29,237	\$ (3,768)	\$ 0	\$ 81,913
Leasehold Improvements	342,159	12,474	0	0	354,633
Total Capital Assets, Being Depreciated	398,603	41,711	(3,768)	0	436,546
Less Accumulated Depreciation:					
Furniture and Equipment	(50,382)	(16,173)	2,642	35,514	(28,399)
Leasehold Improvements	(56,337)	(37,834)	0	(35,514)	(129,685)
Total Accumulated Depreciation	(106,719)	(54,007)	2,642	0	(158,084)
Total Capital Assets, Net	\$ 291,884	\$ (12,296)	\$ (1,126)	\$ 0	\$ 278,462

**V. Purchased Services**

For the following fiscal year ended, purchased services reported on the Statement of Revenues, Expenses, and Changes in Net Assets consisted of the following:

	2007	2006
Consulting Fees	\$ 141,843	\$ 136,299
General Services	197,243	105,414
Total	\$ 339,086	\$ 241,713

**VI. 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 2007, the School contracted with Indiana Insurance Company for property and general liability insurance with a \$2,000,000 aggregate limit.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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.

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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.

**VII. 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 defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' Web site, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 2007, 10.58 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 to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$33,780, \$27,504 and \$30,800, respectively; 66 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$11,664 represents the unpaid contribution for fiscal year 2007, which is reflected as "Accrued Wages and Benefits" in the accompanying financial statements.

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. 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 the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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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. 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.

For the fiscal year ended June 30, 2007, plan members were required to contribute 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 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, 2007, 2006, and 2005 was \$83,217, \$78,739 and \$69,052; 78 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal years 2007 and 2006, respectively were \$7,064 and \$4,213 made by the School and \$14,488 and \$11,362 for fiscal years 2007 and 2006, respectively, made by the plan members. \$20,148 represents the unpaid contribution for fiscal year 2007, which is reflected as "Accrued Wages and Benefits" in the accompanying financial statements.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

### 3. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Retirement System. The Board's liability is 6.2 percent of wages paid.

## **VIII. 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 systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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All STRS benefit recipients and sponsored 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. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$7,281 and \$6,808 during the 2007 and 2006 fiscal years, respectively.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. The health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, (the latest information available) employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, (the latest information available) the minimum pay has been established at \$35,800. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 and 2006 fiscal years equaled \$10,716 and \$11,930, respectively.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, (the latest information available) were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions from the next fiscal year. As of June 30, 2006, (the latest information available) the value of the health care fund was \$295.6 million which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS had approximately 59,492 participants currently receiving health care benefits.

## **IX. Jointly Governed Organizations**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 Schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be

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obtained by contacting the Treasurer at the Stark County Educational Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2007, the School paid \$5,797 to SPARCC for basic service charges.

**X. Contingencies**

1. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability 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, 2007.

2. 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 2007.

**XI. Rental Agreement**

Effective July 1, 2006, the School entered into a rental agreement with the Village of Newburgh Heights, Ohio, for the use of classrooms and office space. This agreement commenced on July 1, 2006 and was for the period of five years with a one year renewal option.

**XII. Charter School Funding**

On October 25, 2006, the Ohio Supreme Court ruled that publicly funded, privately operated community (i.e. charter) schools are constitutional.



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 15, 2007

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

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

We have audited the financial statements of Washington Park Community School as of and for the years ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington Park Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Washington Park Community School in a separate letter dated October 15, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Park Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Rea & Associates, Inc.*



**Mary Taylor, CPA**  
Auditor of State

**WASHINGTON PARK COMMUNITY SCHOOL**

**CUAYHOGA 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  
NOVEMBER 13, 2007**