

Washington Park Community School
Cuyahoga County, Ohio

Audited Financial Statements

For the Fiscal Years Ended
June 30, 2012 and June 30, 2011



Dave Yost • Auditor of State

Board of Trustees
Washington Park Community School
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44106

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, 2011 through June 30, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 12, 2013

This page intentionally left blank.

**WASHINGTON PARK COMMUNITY SCHOOL
CUYAHOGA COUNTY, OHIO**

*For the Fiscal Years Ended June 30, 2012 and 2011
Table of Contents*

	<i>Page</i>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to the Basic Financial Statements	10
Independent Auditor's Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based On and Audit of Financial Statements Performed In Accordance with Government Auditing Standards	20
Independent Accountant's Report on Applying Agreed-Upon Procedures	22

This page intentionally left blank.

December 13, 2012

The Board of Trustees
Washington Park Community School
Cuyahoga County, Ohio
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, Cuyahoga County, Ohio (the School), as of and for the years ended June 30, 2012 and 2011, 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School, as of June 30, 2012 and 2011, and the respective changes in financial position and the cash flows for the years 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 December 13, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rea & Associates, Inc.

Washington Park Community School
Cuyahoga County, Ohio
Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2012 and 2011

The discussion and analysis of 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, 2012 and 2011. 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 2011 and fiscal year 2010 is also required.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets increased \$29,592, which represents a 2 percent increase from 2011. This increase is due primarily to an increase in general school foundation and poverty aid school foundation allowances.
- Total assets increased \$19,768, which represents a 1 percent increase from 2011. This increase is due primarily to an increase in cash of \$122,943, a decrease in due from other governments of \$80,343 and a decrease in capital assets of \$22,618.
- Current liabilities, which are made up of accrued wages and benefits and accounts payable, decreased \$4,181 which represents an approximately 2 percent decrease from 2011.
- Noncurrent liabilities decreased \$5,643 from 2011. This decrease is due to the School making principal payments on a copier lease agreement.
- Operating revenues increased by \$134,978, which represents a 9 percent increase from 2011. The majority of this increase is due to increased enrollment resulting in increased state funding.
- Operating expenses decreased by \$6,215, which represents a less than 1 percent decrease from 2011. Operating expense decreases were caused primarily from the net increase in salaries, materials and supplies and a decrease in fringe benefits, purchased services, depreciation and other operating expenses.
- Non-operating revenues decreased by \$336,299, which represents a 48 percent decrease from 2011. This decrease is due to decreased 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.

Washington Park Community School
Cuyahoga County, Ohio
Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2012 and 2011

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 2012 and 2011?" 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, 2012, 2011 and 2010:

Assets	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>Current assets:</i>			
Equity in pooled cash and cash equivalents	\$ 1,180,552	\$ 1,057,609	\$ 836,861
Investments	0	0	100,187
Accounts receivable	0	214	0
Due from other governments	111,414	191,757	57,888
<i>Total current assets</i>	<u>1,291,966</u>	<u>1,249,580</u>	<u>994,936</u>
<i>Noncurrent assets:</i>			
Capital assets (net of accumulated depreciation)	189,522	212,140	230,215
<i>Total assets</i>	<u>1,481,488</u>	<u>1,461,720</u>	<u>1,225,151</u>
Liabilities			
<i>Current liabilities:</i>			
Accounts payable	6,120	1,318	207
Accrued wages and benefits	171,457	180,440	165,289
<i>Total current liabilities</i>	<u>177,577</u>	<u>181,758</u>	<u>165,496</u>
<i>Noncurrent liabilities:</i>			
Due within one year	5,685	5,191	4,807
Due in more than one year	7,812	13,949	18,724
<i>Total noncurrent liabilities</i>	<u>13,497</u>	<u>19,140</u>	<u>23,531</u>
<i>Total liabilities</i>	<u>191,074</u>	<u>200,898</u>	<u>189,027</u>
Net Assets			
Invested in capital assets, net of debt	176,025	193,000	206,684
Unrestricted	1,114,389	1,067,822	829,440
<i>Total net assets</i>	<u>\$ 1,290,414</u>	<u>\$ 1,260,822</u>	<u>\$ 1,036,124</u>

Washington Park Community School
Cuyahoga County, Ohio
Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2012 and 2011

In 2012, net assets increased \$29,592 and \$224,698 in 2011. The increase is primarily from the increase in general school foundation and poverty aid school foundation allowances. For assets, cash increased \$122,943 in 2012 and \$120,561 in 2011; due from other governments decreased \$80,343 in 2012 and increase by \$133,869 in 2011; and capital assets decreased \$22,618 in 2012 and \$18,075 in 2011. For liabilities, accrued wages and benefits decreased \$8,983 in 2012 and increased \$15,151 in 2011. Accounts payable increased \$4,802 in 2012 and \$1,111 in 2011. Noncurrent liabilities decreased \$5,643 in 2012 and decreased \$4,391 in 2011.

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, 2012 and 2011.

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, 2012, 2011 and 2010:

	2012	2011	2010
Revenues			
Foundation and Payments	\$ 1,672,638	\$ 1,540,128	\$ 1,611,303
Other Operating Revenue	9,971	7,503	9,193
Federal and State Grants	368,783	704,768	603,986
Investment income	430	744	3,054
Total Revenues	<u>2,051,822</u>	<u>2,253,143</u>	<u>2,227,536</u>
Expenses			
Salaries	1,140,005	1,133,559	1,127,703
Fringe Benefits	320,617	342,723	315,334
Purchased Services	302,907	342,168	301,912
Materials and Supplies	175,068	118,286	172,848
Depreciation	26,519	29,652	31,532
Other Operating Expenses	57,114	62,057	58,319
Total Expenses	<u>2,022,230</u>	<u>2,028,445</u>	<u>2,007,648</u>
Net Income	29,592	224,698	219,888
Net Assets at Beginning of Year	<u>1,260,822</u>	<u>1,036,124</u>	<u>816,236</u>
Net Assets at End of Year	<u>\$ 1,290,414</u>	<u>\$ 1,260,822</u>	<u>\$ 1,036,124</u>

Net assets increased in fiscal years ended June 30, 2012, 2011 and 2010. Foundation revenue fluctuates with enrollment and the timing effects of the ADM reporting by the State of Ohio. 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 wary of the increasing bottom line and plans to begin an investment program to most appropriately capitalize on present assets.

Washington Park Community School
Cuyahoga County, Ohio
Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2012 and 2011

The most significant increases in revenues in 2012 are from an increase in State Foundation payments of \$132,510. In 2011 the most significant increase in revenue are from Federal and State subsidies, which increased \$100,782; Other Operating Revenues increased \$2,468 in 2012 and decreased \$1,690 in 2011. Federal and state grants decreased \$335,985 in 2012 due to the loss of the ARRA and other grants.

Salaries and Fringe Benefits decreased \$15,660 in 2012 due to timing of the recognition of fringe benefit payments and increased \$33,245 in 2011 due to additional staffing and annual increases. Purchased Services decreased \$39,261 in 2012 and increased \$40,256 in 2011. Materials and supplies increased \$56,782 in 2012 and decreased \$54,562 in 2011. Depreciation decreased \$3,133 in 2012 and \$1,880 in 2011 due to aging assets becoming fully depreciated.

Capital Assets

As of June 30, 2012, the School had capital assets of \$189,522 invested in furniture and equipment and leasehold improvements. This is a \$22,618 decrease from June 30, 2011. This was primarily the result of depreciation expense exceeding current year purchases.

The following schedule provides a summary of the School's capital assets as of June 30, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital Assets (Net of Depreciation)			
Furniture and Equipment	\$ 69,675	\$ 88,013	\$ 100,330
Leasehold Improvements	<u>119,847</u>	<u>124,127</u>	<u>129,885</u>
 Net Capital Assets	 <u>\$ 189,522</u>	 <u>\$ 212,140</u>	 <u>\$ 230,215</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 \$2,051,822 in revenues and expenses of \$2,022,230 for fiscal year ended June 30, 2012. 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, Washington Park Community School, 4000 Washington Park Boulevard, Newburgh Heights, Ohio 44105.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
<i>Current assets:</i>		
Equity in pooled cash and cash equivalents	\$ 1,180,552	\$ 1,057,609
Accounts receivable	0	214
Due from other governments	111,414	191,757
<i>Total current assets</i>	<u>1,291,966</u>	<u>1,249,580</u>
<i>Noncurrent assets:</i>		
Capital assets (net of accumulated depreciation)	189,522	212,140
<i>Total assets</i>	<u>1,481,488</u>	<u>1,461,720</u>
Liabilities		
<i>Current liabilities:</i>		
Accounts payable	6,120	1,318
Accrued wages and benefits	171,457	180,440
Due within one year	5,685	5,191
<i>Total current liabilities</i>	<u>183,262</u>	<u>186,949</u>
<i>Noncurrent liabilities:</i>		
Due in more than one year	7,812	13,949
<i>Total liabilities</i>	<u>191,074</u>	<u>200,898</u>
Net assets		
Invested in capital assets, net of debt	176,025	193,000
Unrestricted	1,114,389	1,067,822
<i>Total net assets</i>	<u>\$ 1,290,414</u>	<u>\$ 1,260,822</u>

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Foundation payments	\$ 1,672,638	\$ 1,540,128
Other operating revenues	9,971	7,503
<i>Total operating revenues</i>	1,682,609	1,547,631
Operating expenses		
Salaries	1,140,005	1,133,559
Fringe benefits	320,617	342,723
Purchased services	302,907	342,168
Materials and supplies	175,068	118,286
Depreciation	26,519	29,652
Other operating expenses	57,114	62,057
<i>Total operating expenses</i>	2,022,230	2,028,445
<i>Operating income (loss)</i>	(339,621)	(480,814)
Non operating revenues (expenses)		
Federal and State subsidies	368,783	704,768
Investment income	430	744
<i>Total non-operating revenues (expenses)</i>	369,213	705,512
<i>Change in net assets</i>	29,592	224,698
<i>Net assets at beginning of year</i>	1,260,822	1,036,124
<i>Net assets at end of year</i>	\$ 1,290,414	\$ 1,260,822

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received from State of Ohio	\$ 1,672,638	\$ 1,540,128
Cash payments to suppliers for goods and services	(473,173)	(459,343)
Cash payments to employees for services	(1,469,605)	(1,461,131)
Other operating revenues	10,185	7,503
Other operating expenses	(57,114)	(62,057)
<i>Net cash provided by (used for) operating activities</i>	<u>(317,069)</u>	<u>(434,900)</u>
Cash flows from non-capital financing activities:		
Federal and State grants received	449,126	570,685
<i>Net cash provided by (used for) non-capital activities</i>	<u>449,126</u>	<u>570,685</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,901)	(11,577)
Principal payments on capital lease	(5,643)	(4,391)
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(9,544)</u>	<u>(15,968)</u>
Cash flows from investing activities:		
Investment earnings	430	744
Proceeds/(purchase) of investments	0	100,187
<i>Net cash provided by (used for) investing activities</i>	<u>430</u>	<u>100,931</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	122,943	220,748
<i>Cash and cash equivalents at beginning of year</i>	<u>1,057,609</u>	<u>836,861</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 1,180,552</u>	<u>\$ 1,057,609</u>
Reconciliation of operating income (loss) to net cash Provided By (Used For) Operating Activities:		
Operating income (loss)	\$ (339,621)	\$ (480,814)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	26,519	29,652
(Increase) decrease in assets:		
Accounts receivable	214	0
Increase (decrease) in liabilities:		
Accounts payable	4,802	1,111
Accrued wages and benefits	(8,983)	15,151
<i>Total adjustments</i>	<u>22,552</u>	<u>45,914</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ (317,069)</u>	<u>\$ (434,900)</u>

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

I. Description of the School and Reporting Entity

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 Educational Service Center of Lake Erie West (the Sponsor) for a period of five years commencing in the 2006 academic year. In fiscal year 2009, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2012. In fiscal year 2012, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2015. 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.

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 FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

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.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

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 and Cash Equivalents

Cash held by the School is reflected as "Equity in pooled cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

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, 2012 and 2011 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.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

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 \$1,000 or more are capitalized. The School will also capitalize any purchases that are considered a “controlled” type asset per school policy, although it may be valued at less than \$1,000.

<u>Capital Asset Classification</u>	<u>Years</u>
Furniture and Equipment	5 - 10
Leasehold Improvements	5 - 39

7. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. The School currently participates in the State Meals Program, the Food Service Federal Grant Program, the IDEA Part B Program, Education Jobs, Title I, Title II-A, and Title II-D. Grants and entitlements from these programs are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Amounts received under the above named programs for the 2012 and 2011 school years totaled \$2,041,421 and \$2,244,896 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

Deposits At fiscal years ended June 30, 2012 and 2011, the carrying amount of the School’s deposits totaled \$1,180,552 and \$1,057,609, respectively and its bank balances were \$1,220,205 and \$1,097,545, respectively. Of the bank balances:

1. \$1,216,337 was covered by the Federal Depository Insurance Corporation for fiscal year ended June 30, 2012 and \$1,097,545 for fiscal year ended June 30, 2011. 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.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

2. \$3,868 was uninsured and uncollateralized for fiscal year ended June 30, 2012 and \$-0- for fiscal year ended June 30, 2011. Although the securities serving as collateral were held by the pledging institution's name, and all 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.

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 uninsured 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, 2012 and 2011 follows:

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 227,733	\$ 3,901	\$ (21,476)	\$ 210,158
Leasehold Improvements	354,633	0	0	354,633
Total Capital Assets, Being Depreciated	<u>582,366</u>	<u>3,901</u>	<u>(21,476)</u>	<u>564,791</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(139,720)	(22,239)	21,476	(140,483)
Leasehold Improvements	(230,506)	(4,280)	0	(234,786)
Total Accumulated Depreciation	<u>(370,226)</u>	<u>(26,519)</u>	<u>21,476</u>	<u>(375,269)</u>
Total Capital Assets, Net	<u>\$ 212,140</u>	<u>\$ (22,618)</u>	<u>\$ 0</u>	<u>\$ 189,522</u>
	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$216,156	\$ 11,577	\$ 0	\$227,733
Leasehold Improvements	354,633	0	0	354,633
Total Capital Assets, Being Depreciated	<u>570,789</u>	<u>11,577</u>	<u>0</u>	<u>582,366</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(115,826)	(23,894)	0	(139,720)
Leasehold Improvements	(224,748)	(5,758)	0	(230,506)
Total Accumulated Depreciation	<u>(340,574)</u>	<u>(29,652)</u>	<u>0</u>	<u>(370,226)</u>
Total Capital Assets, Net	<u>\$230,215</u>	<u>\$ (18,075)</u>	<u>\$ 0</u>	<u>\$212,140</u>

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

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:

	<u>2012</u>	<u>2011</u>
Consulting Fees	\$ 135,168	\$ 161,436
General Services	<u>167,739</u>	<u>180,732</u>
Total	<u>\$ 302,907</u>	<u>\$ 342,168</u>

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 years 2012 and 2011, 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.

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 pays all premiums for this coverage.

VII. Pension Plans

1. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

Funding Policy – 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 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 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School’s required contributions to SERS for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$33,300, \$28,776 and \$33,330, respectively; 100 percent has been contributed for fiscal year 2012, 2011 and 2010.

2. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at 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 a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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.

Funding Policy – For the fiscal year 2012, 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 employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$92,118, \$99,222 and \$95,542, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$6,395 made by the School and \$13,137 made by the plan members.

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 Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

VIII. Postemployment Benefits

1. School Employees Retirement System

Plan Description – The School participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,272, \$2,947 and \$1,248, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,735, \$1,566, and \$2,062, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

2. State Teachers Retirement System

Plan Description - The School contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for fiscal years ended June 30, 2012, 2011 and 2010 were \$8,516, \$9,359 and \$8,238, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

IX. Jointly Governed Organization

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 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 years ended June 30, 2012 and 2011, the School paid \$5,368 and \$5,801, respectively to SPARCC for basic service charges.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

X. Contingencies

1. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

2. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

3. Litigation

The School is not party to any claims or lawsuits that would, in the School's opinion, have a material effect of the basic financial statements.

4. 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. FTE adjustments for 2012 were \$3,414 which are immaterial and not reflected in the financial statements.

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. As of June 30, 2012, the School is in negotiations to renew the rental agreement. Rental Expense for fiscal year 2012 and 2011 was \$71,500 and \$78,000 respectively. (See Note XIV).

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.

Washington Park Community School
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For Fiscal Years Ended 30, 2012 and 2011

XIII. Capital Leases

During fiscal year 2010, the School entered into a capitalized lease for copiers. This lease meets the criteria of a capital lease as defined by accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee.

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$26,880. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2012 totaled \$5,643. For fiscal year 2013, \$5,685 of principal payments will be due. The following is a schedule of the future minimum lease payments as of June 30, 2012.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 6,606
2014	6,606
2015	<u>1,652</u>
Total Minimum Lease Payments	14,864
Less Amount Representing Interest	<u>(1,367)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 13,497</u></u>

XIV. Subsequent Event

On October 4, 2012, the School entered into an agreement with the Village of Newburgh Heights (the Village) for the purchase of the building the School is currently renting. The School will purchase the building at a price of \$461,000 and intends to draw down their cash to finance. The School will rent the space currently occupied by the Village back to the Village for a period of two years at a rate of \$1,352 per month.

December 13, 2012

To the Board of Trustees
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, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. 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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Washington Park Community School
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
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 management, the Board of Trustees, the School's sponsor and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

December 13, 2012

Washington Park Community School
Cuyahoga County, Ohio
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44105

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 7, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Rea & Associates, Inc.



Dave Yost • Auditor of State

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
FEBRUARY 26, 2013