



**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Balance Sheet as of June 30, 2003	3
Statement of Revenues, Expenses and Changes in Retained Earnings for the Year Ended June 30, 2003	4
Statement of Cash Flows for the Year Ended June 30, 2003	5
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying financial statements of the Washington Park Community School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Park Community School, Cuyahoga County, Ohio, as of June 30, 2003, and the results of its operations and the 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 February 12, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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**Betty Montgomery**  
Auditor of State

February 12, 2004

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

**BALANCE SHEET  
AS OF JUNE 30, 2003**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 83,215
State grants receivable	13,840
<b>TOTAL CURRENT ASSETS</b>	<u>97,055</u>

**NON-CURRENT ASSETS**

**PROPERTY AND EQUIPMENT**

Furniture and equipment	15,985
Leasehold improvements	272,292
Construction in progress	69,867
	<u>358,144</u>
Less: accumulated depreciation	(25,685)
<b>TOTAL NON-CURRENT ASSETS</b>	<u>332,459</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 429,514</u></u>
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**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 22,764
Current portion of capital lease obligations	3,260
Accrued wages and benefits	46,218
	<u>72,242</u>
<b>TOTAL CURRENT LIABILITIES</b>	72,242

**NON-CURRENT LIABILITIES**

Capital lease obligation	565
	<u>565</u>
<b>TOTAL LIABILITIES</b>	72,807

**FUND EQUITY**

Retained earnings	356,707
	<u>356,707</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 429,514</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

**OPERATING REVENUES**

Foundation payments	\$ 925,135
Other operating revenues	<u>532</u>
 TOTAL OPERATING REVENUES	 <u>925,667</u>

**OPERATING EXPENSES**

Salaries	560,510
Retirement	70,646
Insurance	45,336
Purchased services	96,242
Materials and supplies	144,628
Utilities	34,324
Depreciation	18,872
Other operating expenses	<u>13,257</u>
 TOTAL OPERATING EXPENSES	 <u>983,815</u>
 OPERATING LOSS	 (58,148)

**NON-OPERATING REVENUES**

Federal and state grants	<u>119,852</u>
 NET INCOME	 61,704
 RETAINED EARNINGS AT BEGINNING OF YEAR	 <u>295,003</u>
 RETAINED EARNINGS AT END OF YEAR	 <u><u>\$ 356,707</u></u>

The accompanying notes to the financial statements are an integral part of this statement.



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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Increase (Decrease) in Cash**

**Cash flows from operating activities:**

Cash received from State of Ohio	\$ 925,135
Cash payments to employees for services and benefits	(621,015)
Cash payments to suppliers for goods and services	(297,948)
Cash payments for other operating services	(13,257)
Other operating revenues	532
Net cash (used for) operating activities	(6,553)

**Cash flows from noncapital financing activities:**

State and federal grants	107,687
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**Cash flows from capital and related financing activities:**

Cash payments for capital acquisitions	(157,101)
Cash payments on capital lease	(3,418)
Net cash (used for) operating activities	(160,519)

Net (decrease) increase in cash	(59,385)
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Cash at beginning of year	142,600
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Cash at end of year	\$ 83,215
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**Reconciliation of operating loss to net cash used in by operating activities:**

Operating loss	\$ (58,148)
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**Adjustments to reconcile operating loss to net cash used in operating activities:**

Depreciation	18,872
Increase in liabilities:	
Increase in accounts payable	18,458
Increase in accrued wages and benefits	14,265
Total adjustments	51,595

Net cash used for operating activities	\$ (6,553)
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The accompanying notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A—DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

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

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

The School operates under the direction of a self-appointing, three member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by ten certificated full-time teaching personnel who provide services to approximately 156 students.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

**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 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.

**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 balance sheet. Equity (i.e., net total assets) is reported as retained earnings. 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 accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED**

**Budgetary Process:** Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the school's contract. The contract between the School and the State Department of Education does not prescribe a budgetary process for the School per Ohio Rev. Code Section 5705.

**Property and Equipment:** Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair 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 an estimate useful life of five years.

Depreciation expense for the year ended June 30, 2003 was \$18,872. The School does not have any infrastructure of capitalized interest.

**Revenues:** The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue 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. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grants for the fiscal year 2003 received by the School was \$119,852.

**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.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principals 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED**

**Purchased Services:** The School purchased services in the amount of \$96,242 for the year ended June 30, 2003. This is comprised of the following:

Consulting fees	\$27,383
General services	45,832
Busing and transportation fees	599
Professional development	<u>22,428</u>
	<u>\$96,242</u>

**NOTE C—CASH**

At fiscal year end June 30, 2003, the carrying amount of the School's deposits totaled \$83,215 and its bank balance was \$89,978. Of the bank balance \$89,978 was covered by the Federal Depository Insurance Corporation for the fiscal year ended June 30, 2003. The Ohio Depository Act stipulates that Firststar Bank N.A. pledge collateral for the deposits of the School in a pool of securities under Section 135.181 of the Ohio Revised Code.

**NOTE D—GRANTS RECEIVABLE**

Receivables at June 30, 2003 consist of a Title 1 Federal grant in the amount of \$13,840.

**NOTE E—PROPERTY AND EQUIPMENT**

A summary of the School's property and equipment at June 30, 2003:

Furniture and equipment	\$ 15,985
Construction-in-Progress	69,867
Leasehold improvements	<u>272,292</u>
	358,144
Less: accumulated depreciation	<u>(25,685)</u>
Net fixed assets	<u>\$ 332,459</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE F—CAPITAL LEASE OBLIGATION**

The School entered into a capitalized lease agreement for a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The following is a schedule of the future minimum lease payments as of June 30, 2003.

2004		\$ 3,418
2005		<u>570</u>
Total future minimum lease payments		3,988
Less: amount representing interest		<u>(163)</u>
Present value of future minimum lease payments		3,825
Less: current portion of capital lease obligation		<u>3,260</u>
Long-term capital lease obligation		<u>\$ 565</u>

The School paid \$3,418 for this lease agreement for fiscal year ended June 30, 2003.

The copier leased by the School has a capitalized cost of \$9,260 less accumulated depreciation of \$3,550 at June 30, 2003.

**NOTE G—RISK MANAGEMENT**

**Property and Liability:** The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the School contracted with Indiana Insurance Company for property and general liability insurance with a \$2,000,000 aggregate limit.

**Workers' Compensation:** The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**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.

**NOTE H—PENSION PLANS**

**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 43215-3476 or by calling (614) 222-5853.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE H—PENSION PLANS—CONTINUED**

Plan members are required to contribute 9 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003 and 2002 were \$36,290 and \$17,302, respectively. As of June 30, 2003; 84.3 percent has been contributed for fiscal year 2003 and 100 percent for fiscal year 2002. As of June 30, 2003, the School owed \$5,700 which is reflected as accrued wages and benefits in the accompanying financial statements.

**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 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 the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) plan, a Defined Contribution (DC) plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC plan and the DB plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan. DC and Combined Plan members will transfer to the defined benefit plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB plan into the DC plan or the Combined Plan. This option expired on December 31, 2002. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries and the School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE H—PENSION PLANS--CONTINUED**

The School's required contributions for pension obligations to the DB plan for the fiscal year ended June 30, 2003 was \$47,202; 98 percent has been contributed for fiscal year 2003 and 100 percent for fiscal year 2002. As of June 30, 2003, the School owed \$1,681 which is reflected as accrued wages and benefits in the accompanying financial statements.

**NOTE I—POSTEMPLOYMENT 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The retirement board currently allocates employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled \$1,117 for fiscal year 2003 and \$1,146 for fiscal year 2002. The balance in the Health Care Reserve Fund for the STRS was \$3.011 billion at June 30, 2002, (latest information available). For the year ended June 30, 2002, the net health care costs paid by the STRS were \$354,697,000 and eligible benefit recipients totaled 105,300.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. Employer contributions to fund health care benefits was 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay pro-rated for partial service credit. For fiscal years 2003, the minimum pay was established at \$12,400.

The surcharge, added to the unallocated portion of the 14.0 percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School, the amount contributed to fund health care benefits, including surcharge, equaled \$34,218 for fiscal year 2003.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the SERS's net assets available for payment of health care benefits were \$335.2 million, at cost. The number of participants receiving health care benefits was approximately 50,000.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE J—STATE SCHOOL FUNDING DECISION**

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**NOTE K—CONTINGENCIES**

**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, 2003.

**Litigation:** On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. A law suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the State Constitution and State law. The effect of this suit, if any, on the School is not presently determinable.

**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 2002. The review for the year ended June 30, 2003 has not yet been completed.

**NOTE L—RENTAL AGREEMENT**

On June 1, 2001, the School entered into a rental agreement with the Village of Newburgh Heights, Ohio, for the use of classrooms and office space. This agreement was for the period of one year with renewal options every year for four years. Annual rent payments for the use of these facilities are \$1. The School is responsible for all utilities, insurance and repairs and maintenance.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE M—RELATED PARTIES**

One member of the School's Board of Directors has been hired by the School as the School's Facilities Manager to provide services for the School and has received compensation in the amount of \$34,354 for the fiscal year ended June 30, 2003.

**NOTE N—ACCRUED WAGES AND BENEFITS**

Wages, salaries, and benefits, \$46,218 which were due but unpaid as of June 30, 2003 are reported as accrued wages and benefits in the accompanying balance sheet.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Washington Park Community School, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 12, 2004. 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.

#### **Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School in a separate letter dated February 12, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated February 12, 2004.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

February 12, 2004



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**WASHINGTON PARK COMMUNITY SCHOOL**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 6, 2004**