



**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**TOLEDO VILLAGE SHULE
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REPORT OF INDEPENDENT ACCOUNTANTS

Toledo Village Shule
Lucas County
331 14th Street
Toledo, Ohio 43624-1402

To the Governing Board:

We have audited the Balance Sheet of Toledo Village Shule, Lucas County, (Shule) as of June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the fiscal year ended June 30, 2000. These financial statements are the responsibility of Shule's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 Shule as of June 30, 2000, and the results of operations and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2001, on our consideration of Shule'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.

Jim Petro
Auditor of State

March 28, 2001

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**TOLEDO VILLAGE SHULE
BALANCE SHEET
AS OF JUNE 30, 2000**

Assets

Current Assets

| | |
|-------------------------------|---------------|
| Cash and Cash Equivalents | \$3,981 |
| Intergovernmental Receivables | 51,790 |
| Prepaid Items | <u>10,645</u> |

Total Current Assets 66,416

Non-Current Assets

| | |
|--|---------------|
| Fixed Assets (Net of Accumulated Depreciation) | <u>97,675</u> |
|--|---------------|

Total Assets \$164,091

Liabilities and Fund Equity

Current Liabilities

| | |
|---------------------------|---------------|
| Accounts Payable | \$22,218 |
| Accrued Wages | 1,654 |
| Intergovernmental Payable | <u>22,439</u> |

Total Liabilities 46,311

Fund Equity

| | |
|-------------------|----------------|
| Retained Earnings | |
| Unreserved | <u>117,780</u> |

Total Liabilities and Fund Equity \$164,091

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

TOLEDO VILLAGE SHULE
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Operating Revenues

| | |
|--------------------------------|----------------|
| Foundation Payments | \$550,263 |
| Disadvantaged Pupil Impact Aid | 259,171 |
| Food Services | 9,693 |
| Miscellaneous | <u>31,332</u> |
| Total Operating Revenues | <u>850,459</u> |

Operating Expenses

| | |
|--------------------------|------------------|
| Salaries | 444,597 |
| Fringe Benefits | 96,580 |
| Purchased Services | 355,322 |
| Materials and Supplies | 68,026 |
| Depreciation | 25,402 |
| Other Operating Expenses | <u>18,413</u> |
| Total Operating Expenses | <u>1,008,340</u> |
| Operating Loss | <u>(157,881)</u> |

Non-Operating Revenues (Expenses)

| | |
|---|-------------------------|
| Operating Grants - State | 6,382 |
| Operating Grants - Federal | 161,057 |
| Interest Revenue | <u>585</u> |
| Total Non-Operating Revenues (Expenses) | <u>168,024</u> |
| Net Income | 10,143 |
| Retained Earnings at Beginning of Year (As Restated in Note 15) | <u>107,637</u> |
| Retained Earnings at End of Year | <u><u>\$117,780</u></u> |

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

**TOLEDO VILLAGE SHULE
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

| | |
|---|------------------|
| Cash Received from State Foundation | \$550,263 |
| Cash Received from Disadvantaged Pupil Impact Aid | 259,171 |
| Cash Received from Food Services | 9,693 |
| Cash Received from Other Sources | 31,332 |
| Cash Payments to Suppliers for Goods and Services | (440,369) |
| Cash Payments to Employees for Services | (428,776) |
| Cash Payments for Employee Benefits | <u>(101,660)</u> |
| Net Cash Used for Operating Activities | <u>(120,346)</u> |

Cash Flows from Noncapital Financing Activities

| | |
|--|----------------|
| Operating Grants Received - State | 6,058 |
| Operating Grants Received - Federal | <u>118,350</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>124,408</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|-----------------|
| Payments for Capital Acquisitions | <u>(23,224)</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(23,224)</u> |

Cash Flows from Investing Activities

| | |
|--|-----------------------|
| Cash Received from Interest on Investments | <u>585</u> |
| Net Cash Provided by Investing Activities | <u>585</u> |
| Net Decrease in Cash and Cash Equivalents | (18,577) |
| Cash and Cash Equivalents at the Beginning of the Year | <u>22,558</u> |
| Cash and Cash Equivalents at the End of the Year | <u><u>\$3,981</u></u> |

(Continued)

**TOLEDO VILLAGE SHULE
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

**Reconciliation of Operating Loss to
Net Cash Used for Operating Activities**

Operating Loss (\$157,881)

**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities**

| | |
|--|---------------------------|
| Depreciation | 25,402 |
| Changes in Assets and Liabilities: | |
| Increase in Prepaid Items | (10,645) |
| Increase in Accounts Payable | 19,858 |
| Decrease in Contracts Payable | (2,787) |
| Increase in Accrued Wages Payable | 1,654 |
| Increase in Intergovernmental Payable | <u>4,053</u> |
| Total Adjustments | <u>37,535</u> |
| Net Cash Used for Operating Activities | <u><u>(\$120,346)</u></u> |

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

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Toledo Village Shule (Shule) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Shule is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect Shule's tax-exempt status. Shule's objective is to provide a year-round, holistic educational environment, serving grades K-6, in which cognitive and creative learning is blended with emotional and social growth, in order to foster students' learning from each other, their families, their communities, and their teachers, thereby integrating students' intellectual, social, and cultural worlds. Shule, 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. Shule may acquire facilities as needed and contract for any services necessary for the operation of the school.

Shule was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing August 12, 1998. The Sponsor is responsible for evaluating the performance of Shule and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Shule operates under the direction of a nine-member Governing Board. The Governing 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 Governing Board controls Shule's one instructional/support facility staffed by 4 non-certified and 6 certificated full time teaching personnel who provide services to 152 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Shule 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. Shule 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 Shule's accounting policies are described below.

A. Basis of Presentation

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment 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 segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

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.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in Shule's contract with its Sponsor. The contract between Shule and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by Shule are accounted for by Shule's Fiscal Officer. All cash received by the Fiscal Officer is maintained in bank accounts in Shule's name. Monies for all funds of Shule are maintained in these accounts or temporarily used to purchase short-term investments. For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased by Shule are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. Shule does not possess any infrastructure.

Improvements are 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 vehicles, furniture and equipment, and leasehold improvements is computed using the straight-line method over an estimated useful life of five years.

F. Intergovernmental Revenues

Shule currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

Shule also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, Shule was awarded a \$50,000 charter school sub-grant. Revenue from this program is recognized as non-operating revenue on the accompanying financial statements.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year the services are consumed.

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits and investment by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2000, the carrying amount of Shule's deposits was \$3,923, and the bank balance was \$39,987. The bank balance was covered by federal depository insurance. In addition, Shule has investments totaling \$58 (cost), which are maintained in a Ready Resource Savings Account (repurchase agreement).

4. RECEIVABLES

Receivables at June 30, 2000, consisted of intergovernmental (e.g., grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

5. FIXED ASSETS

A summary of Shule's fixed assets at June 30, 2000, follows:

| | |
|--------------------------------|-----------------|
| Furniture and Equipment | \$56,408 |
| Leasehold Improvements | 80,586 |
| Vehicles | 3,770 |
| Subtotal | <u>140,764</u> |
| Less: Accumulated Depreciation | <u>(43,089)</u> |
| Net Fixed Assets | \$97,675 |

6. RISK MANAGEMENT

A. Property and Liability

Shule is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2000, Shule contracted with Nationwide Ohio Educational Liability Insurance for property and general liability insurance.

Professional liability is protected by Nationwide Ohio Educational Liability Insurance with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible.

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

B. Workers' Compensation

Shule pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Medical, Dental, and Vision Benefits

Shule has contracted with its Sponsor, to provide employee medical, dental, and vision insurance to its full time employees who work 40 or more hours per week.

7. DEFINED BENEFIT PENSION PLANS

A. 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 System. As of June 30, 2000, Shule has no employees or members of the governing board who contribute to the Social Security System.

B. School Employees Retirement System

Shule contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and Shule is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. Shule's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2000 and for the fiscal period August 12, 1998 to June 30, 1999 were \$7,675 and \$9,162, respectively; 76.26 percent has been contributed for fiscal year 2000 and 100 percent for fiscal period August 12, 1998 to June 30, 1999. The unpaid contribution for fiscal year 2000, in the amount of \$1,822 is recorded as a liability.

C. State Teachers Retirement System

Shule contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and Shule is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Shule's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2000 and the fiscal period August 12, 1998 to June 30, 1999 were \$16,543 and \$13,737, respectively; 79.50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal period August 12, 1998 to June 30, 1999. The unpaid contribution for the fiscal year 2000, in the amount of \$3,392 is recorded as a liability.

8. POSTEMPLOYMENT BENEFITS

Shule provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

The State Teachers Retirement 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 the health care cost 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 fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For Shule, this amount equaled \$22,058 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For Shule, the amount to fund health care benefits, including the surcharge, was \$12,944 for fiscal year 2000.

9. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

monetary support to Shule. During the fiscal period ended June 30, 2000, Shule recognized \$550,263 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, Shule is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

10. CONTINGENCIES

Grants

Shule 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Shule at June 30, 2000.

11. OPERATING LEASES

Shule has entered into a sub-lease, with a subsequent amendment, for the period August 1, 1998 through June 30, 2003 with "Neighborhoods in Partnership" to lease 14,689 square feet of space (Main Campus) to house the Shule Community School. Payments made totaled \$135,263 for the fiscal year. The building which houses the Shule is owned by IBC Corporation. Shule has the option to renew the sub-lease at an inflation-adjusted rate for three additional five-year terms.

Shule has also entered into a lease for the period July 1, 2000 through July 30, 2003 with "Luttenberger & Company" to lease additional space (Macomber Campus) to house the Shule Community School. Payments made totaled \$11,000 for the fiscal year to cover the security deposit. Shule has the option to renew the lease for two additional five-year terms, with rent increased by 3% over the previous year's rent, rounded to the nearest ten dollars.

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

Shule has entered into a lease commencing August 17, 1999 for a term of 48 months for a copier. Payments made totaled \$1,705 for the fiscal year. The copier is owned by General Electric Capital Corporation.

Shule has entered into two separate leases commencing August 14, 1998 for a term of 24 months and 48 months for computers. Payments made totaled \$4,991 for the fiscal year. The computers are owned by Fleet Leasing Corporation.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2000.

| <u>Fiscal Year Ending June 30,</u> | <u>Main Campus Facility Lease</u> | <u>Macomber Campus Facility Lease</u> | <u>Copier</u> | <u>Computers</u> |
|------------------------------------|---|---|----------------|------------------|
| 2001 | \$114,455 | \$132,000 | \$1,705 | \$5,052 |
| 2002 | 128,204 | 135,960 | 1,705 | 4,740 |
| 2003 | 128,508 | 140,040 | 1,705 | 1,185 |
| Total minimum lease payments | <u>\$371,167</u> | <u>\$408,000</u> | <u>\$5,115</u> | <u>\$10,977</u> |

12. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2000, purchased service expenses were payments for services rendered, as follows:

PURCHASED SERVICES

| | |
|--|------------------|
| Accounting | \$11,933 |
| Legal | 7,062 |
| Insurance | 2,698 |
| Employment Services | 20,742 |
| Phone | 6,997 |
| Security | 640 |
| Cleaning Services | 7,448 |
| Contracted Services - Admin/Instruction/Ed. Training | 86,532 |
| Other Professional Services | 13,539 |
| Contracted Food Services | 54,885 |
| Rent/Lease | <u>142,846</u> |
| Total Purchased Services | <u>\$355,322</u> |

TOLEDO VILLAGE SHULE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

13. RELATED PARTIES

During the fiscal year, Shule's Governing Board entered into a one-year employment contract with the Director. The Director is a member of the Governing Board, and the Director's spouse is also a member of the Governing Board. Total payments to the Director were \$69,196, which includes salary and reimbursements.

During the fiscal year, the Director's daughter was paid \$27,130, which included salary for teaching services and contractual payments for the direction of extracurricular activities and programs.

14. SUBSEQUENT EVENT

Shule entered into a note payable with Mid-Am Bank on September 7, 2000, maturing on July 7, 2001, in the amount of \$13,615, at an interest rate of 9.5%. The note is secured by a 1998 Dodge Ram.

15. CORRECTION OF AN ERROR

As of June 30, 1999, intergovernmental revenues were overstated. The restatement overstated net income and fund balance by \$133,320, over that reported for the year ended June 30, 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Toledo Village Shule
Lucas County
331 14th Street
Toledo, Ohio 43624-1402

To the Governing Board:

We have audited the financial statements of Toledo Village Shule, Lucas County, (Shule) for the fiscal year ended June 30, 2000, and have issued our report thereon dated March 28, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 Shule'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings, as item 2000-10148-001. We also noted an immaterial instance of noncompliance that we have reported to management of Shule in a separate letter dated March 28, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shule'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 Shule in a separate letter dated March 28, 2001.

Toledo Village Shule
Lucas County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management, the Governing Board, and the Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 28, 2001

**TOLEDO VILLAGE SHULE
SCHEDULE OF FINDINGS
FOR THE PERIOD ENDED JUNE 30, 2000**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2000-10148-001

BACKGROUND CHECKS

Ohio Rev. Code Section 3319.39(A)(1) provides, in pertinent part, that “the appointing or hiring officer of the board of education of a school district shall request the superintendent of the bureau of criminal identification and investigation to conduct a criminal records check with respect to any applicant who has applied to the school district or school for employment in any position as a person responsible for the care, custody, or control of a child.”

Shule did not obtain criminal records checks on 15 out of 21 of its employees.

We recommend Shule adopt and implement policies and procedures requiring all employees, teaching and non-teaching, who come in contact with any of the students, to have background checks performed, in accordance with the above-stated requirement. These policies and procedures should also include obtaining the background checks of current employees.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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TOLEDO VILLAGE SHULE

LUCAS 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
MAY 8, 2001**