



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAMILY LEARNING CENTER
LUCAS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Family Learning Center
Lucas County
1501 Monroe Street, 2nd Floor
Toledo, Ohio 43624

To the Governing Board:

We have audited the Balance Sheet of the Family Learning Center (the School) as of June 30, 2001, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the year ended June 30, 2001. 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 School as of June 30, 2001, and the results of operations and its 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 March 7, 2002 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.

Jim Petro
Auditor of State

March 7, 2002

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**FAMILY LEARNING CENTER
LUCAS COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2001**

Assets

Current Assets

Cash and Cash Equivalents with Fiscal Agent	\$27,886
Intergovernmental Receivable	21,503
Prepaid Items	<u>944</u>
Total Current Assets	<u>50,333</u>

Non-Current Assets

Security Deposit	8,410
Fixed Assets (Net of Accumulated Depreciation)	<u>115,164</u>
Total Non-Current Assets	<u>123,574</u>

Total Assets	<u><u>\$173,907</u></u>
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Liabilities and Equity

Current Liabilities

Accounts Payable	\$30,644
Accrued Wages Payable	52,329
Compensated Absences Payable	7,624
Intergovernmental Payable	12,385
Lease Payable	<u>2,139</u>
Total Current Liabilities	<u>105,121</u>

Long-Term Liabilities

Lease Payable	<u>9,761</u>
Total Liabilities	<u>114,882</u>

Equity

Retained Earnings Unreserved	<u>59,025</u>
Total Equity	<u>59,025</u>
Total Liabilities and Equity	<u><u>\$173,907</u></u>

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

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2001**

Operating Revenues

Foundation Payments	\$541,668
Disadvantaged Pupil Impact Aid	94,437
Food Services	5,470
Extracurricular Activities	140
Classroom Materials and Fees	3,523
Other Operating Revenues	<u>20</u>
Total Operating Revenues	<u>645,258</u>

Operating Expenses

Salaries	428,889
Fringe Benefits	95,611
Purchased Services	183,793
Materials and Supplies	79,357
Depreciation	26,128
Other Operating Expenses	<u>345</u>
Total Operating Expenses	<u>814,123</u>
Operating Loss	<u>(168,865)</u>

Non-Operating Revenues and (Expenses)

Grants - Federal	72,987
Grants - State	135,105
Interest Earnings	978
Contributions and Donations	19,020
Interest Expense and Fiscal Charges	<u>(200)</u>
Total Non-Operating Revenues and (Expenses)	<u>227,890</u>
Net Income	59,025
Retained Earnings at Beginning of Year	<u>-</u>
Retained Earnings at End of Year	<u><u>\$59,025</u></u>

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

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$623,968
Cash Received from Food Services	\$5,470
Cash Received from Extracurricular Activities	\$140
Cash Received from Classroom Materials and Fees	\$3,523
Cash Received from Other Operating Revenue	20
Cash Payments to Suppliers for Goods and Services	(242,205)
Cash Payments to Employees for Services	(368,936)
Cash Payments to Employee Benefits	<u>(83,226)</u>
Net Cash Used for Operating Activities	<u>(61,246)</u>

Cash Flows from Noncapital Financing Activities

Grants Received - Federal	63,621
Grants Received - State	135,105
Contributions and Donations	<u>1,220</u>
Net Cash Provided by Noncapital Financing Activities	<u>199,946</u>

Cash Flows from Capital and Related Financing Activities

Principal Payments	(311)
Payments for Capital Acquisitions	(111,281)
Interest Payments and Fiscal Charges	<u>(200)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(111,792)</u>

Cash Flows from Investing Activities:

Interest on Investments	<u>978</u>
Net Cash Provided by Investing Activities	<u>978</u>
Net Increase in Cash and Cash Equivalents	27,886
Cash and Cash Equivalents at the Beginning of the Year	<u>-</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$27,886</u></u>

(Continued)

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

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

Operating Loss	(\$168,865)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities**

Depreciation	26,128
Changes in Assets and Liabilities:	
(Increase) in Security Deposit	(8,410)
(Increase) in Prepaid Items	(944)
(Increase) in Intergovernmental Receivable	(12,137)
Increase in Accounts Payable	30,644
Increase in Accrued Wages Payable	52,329
Increase in Compensated Absences Payable	7,624
Increase in Intergovernmental Payable	<u>12,385</u>
Total Adjustments	<u>107,619</u>
Net Cash Used for Operating Activities	<u><u>(\$61,246)</u></u>

Noncash Investing, Capital, and Financing Activities

The Family Learning Center financed the purchase of a phone system through a capital lease arrangement. The equipment was valued at \$12,211 at the time of purchase.

The Family Learning Center received donations of furniture during the year. The furniture was valued at \$17,800 at the time of donation.

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

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Family Learning Center (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School 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 the School's tax-exempt status. The School's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. The School encompasses a safe community environment, discovery-based methods, parenting education, and critical thinking and problem solving. The School's programs are currently available to students in grades 7 - 12. 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 acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing May 30, 2000, with operations starting in July of 2000. 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 sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the School, (see note 12).

The School operates under the direction of a five 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 the School's one instructional/support facility staffed by 16 non-certified personnel and 14 certificated teaching personnel who provide services to 115 students.

2. 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.

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.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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 the School's contract with its Sponsor. The contract between the School 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 the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the School's name.

For the purposes of the statement of cash flows and for presentation on the balance sheet, investments with original maturities of three months or less at the time they are purchased by the School 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. The School 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 furniture, equipment and leasehold improvements is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Intergovernmental Revenues

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

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

Eligibility requirements include 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.

The School also participates in the Charter School Grant Program through the Ohio Department of Education. Under this program, as part of the Lucas County pilot project, the Lucas County Educational Service Center awarded the School \$125,000 to offset start-up costs of the School. Revenue from this program is recognized as non-operating revenue on the accompanying financial statements.

Amounts awarded under the above named programs for the 2001 school year totaled \$832,060.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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 in which services are consumed.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Compensated Absences

Vacation benefits, personal and professional leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation, personal and professional time when earned for all employees.

J. Security Deposit

The School entered into a lease for the use of a building for the operation of the School. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount is held by the lessor.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. DEPOSITS AND INVESTMENTS

At June 30, 2001, the carrying amount of the School's deposits was \$27,886 and the bank balance was \$57,956. The bank balance was covered by federal depository insurance.

4. RECEIVABLES

Receivables at June 30, 2001, consisted of intergovernmental (e.g. miscellaneous grants) receivables. 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 the School's fixed assets at June 30, 2001, follows:

Leasehold Improvements	\$85,933
Furniture and Equipment	55,359
Less: Accumulated Depreciation	<u>(26,128)</u>
Net Fixed Assets	<u><u>\$115,164</u></u>

6. RISK MANAGEMENT

A. 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 the fiscal year ended June 30, 2001, the School contracted with Nationwide Agribusiness Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate limit and no deductible.

Commercial Property coverage is protected by Scottsdale Insurance Company with a \$200,000 aggregate limit.

B. Workers' Compensation

The School 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.

7. DEFINED BENEFIT PENSION PLANS

A. 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 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 established by Chapter 3309 of the Ohio Revised Code.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

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 the School is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; for the year June 30, 2001, 4.2 percent was the portion 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. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2001 was \$5,216; 70.51 percent has been contributed for the fiscal year ended June 30, 2001. The unpaid contribution at June 30, 2001, in the amount of \$7,273, is recorded as a liability.

B. State Teachers Retirement System

The School 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. The report may be 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 the School is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for the year 2001. 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. The School's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2001 was \$24,277; 94.06 percent has been contributed for fiscal year ended June 30, 2001. The unpaid contribution at June 30, 2001, in the amount of \$2,259, is recorded as a liability.

8. 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.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. POSTEMPLOYMENT BENEFITS (continued)

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Governing Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School, this amount equaled \$11,500 during the year.

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 9.8 percent of covered payroll. 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 the fiscal year ended June 30, 2001, the minimum pay has been established at \$12,400. For the School, the amount to fund health care benefits, including surcharge, equaled \$17,090 during the year.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation is derived from policies and procedures approved by the Governing Board. Three members of the management team had vacation leave earned in the year that had not been used at year end. Unused vacation leave is shown as a current liability.

The criteria for determining personal and professional leave is derived from policies and procedures approved by the Governing Board. All full time employees earn one day of personal leave and one day of professional leave each quarter. Employees may carry one day of each into the new fiscal year. Unused personal leave and unused professional leave are shown as a current liability.

B. Employee Medical, Dental and Vision Benefits

The School has contracted through the Lucas County Educational Service Center to provide employee medical, dental, and vision insurance to its full time employees who work 30 or more hours per week. The School pays 70 percent of the monthly premiums for medical coverage and 50 percent for dental and vision coverage.

10. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. STATE SCHOOL FUNDING DECISION (continued)

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 7, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

11. CONTINGENCIES

A. 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 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 the School at June 30, 2001.

B. Ohio Community School Program

A 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 laws. The effect of this suit, if any, on the School is not presently determinable.

C. State Funding

The Ohio Department of Education conducts reviews of enrollment data 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 results of this review concluded that the state funding be adjusted in the amount of \$12,137 and is included in the Intergovernmental Receivable portion on the financial statements.

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. FISCAL AGENT

The School entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Financial Officer of the School. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to the School from the State of Ohio.

The Treasurer of the Sponsor shall perform all of the following functions while serving as the Chief Financial Officer of the School:

1. Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor's or any other Community School's funds;
2. Maintain all books and accounts of the School;
3. Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and expending funds which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the School or that Officer's designee;
4. Assist the School in meeting all financial reporting requirements established by the Auditor of Ohio;
5. Invest funds of the School in the same manner as the funds of the sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other Community School; and
6. Pay obligations incurred by the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the School so long as proposed expenditure is within approved budget and funds are available.

13. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2001, purchased service expenses were payments for services rendered by various vendors, as follows:

PURCHASED SERVICES

Property Services	\$106,070
Professional and Technical Services	42,120
Contracted Craft or Trade Services	9,803
Communications	7,701
Utilities	5,741
Travel Mileage/Meeting Expenses	829
Other Administrative and Professional Services	45
LCESC Accounting Fees (See Note 12)	<u>11,484</u>
Total Purchased Services	<u><u>\$183,793</u></u>

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. CAPITALIZED LEASE - LESSEE DISCLOSURE

During the fiscal year ended June 30, 2001, the School entered into a capitalized lease for the acquisition of a phone system. The 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 as a fixed asset at the present value of the future minimum lease payments as of the inception date. Payments made totaled \$511 for the year.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	
2002	\$2,948
2003	3,774
2004	3,774
2005	3,774
Total minimum lease payments	14,270
Less: amount representing interest	(2,370)
Present value of minimum lease payments	\$11,900

15. OPERATING LEASES - LEASEE DISCLOSURE

The School has entered into an operating lease for the period August 1, 2000 through July 31, 2002 with Luttenberger & Company to lease a school facility. In February 2001 additional space was added to the lease. Payments made totaled \$97,800 for the year. The School has the option to renew the lease for two additional terms, the first renewal for an additional three years and the second renewal for an additional five years.

The School also entered into an operating lease commencing December 7, 2000 for a term of 60 months for a copier is owned by Ohio Business Machines. Payments made totaled \$4,338 in lease payments and meter billings.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2001.

Fiscal Year Ending June 30,	Facility Lease	Copier Lease
2002	\$118,368	\$3,210
2003	9,888	3,210
2004		3,210
2005		3,210
2006		1,605
Total minimum lease payments	\$128,256	\$14,445

**FAMILY LEARNING CENTER
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. SUBSEQUENT EVENT

On September 4, 2001, the School entered into a revolving line of credit note with a maximum amount of \$40,340, establishing a note without a maturity date, however, the note indicates that it is payable on demand. As of March 7, 2002, there was not an outstanding balance on the note.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Family Learning Center
Lucas County
1501 Monroe Street, 2nd Floor
Toledo, Ohio 43624-1752

To the Governing Board:

We have audited the financial statements of the Family Learning Center (the School) for the year ended June 30, 2001, and have issued our report thereon dated March 7, 2002. 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 of America.

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 certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated March 7, 2002.

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 March 7, 2002.

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This report is intended for the information and use of the audit committee, 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 7, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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FAMILY LEARNING CENTER

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
APRIL 9, 2002**