



**Auditor of State
Betty Montgomery**

**INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Intergenerational School
Cuyahoga County
12200 Fairhill Road
Cleveland, Ohio 44120

We have audited the accompanying financial statements of the Intergenerational School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2002, 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 required 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 Intergenerational School, Cuyahoga County, Ohio, as of June 30, 2002, 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 January 24, 2003 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 24, 2003

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**INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2002**

Assets:

Current Assets:

Cash and Cash Equivalents	\$195,420
Receivables:	
Intergovernmental	190,671
Accounts	5,025
Prepaid Expenses	459
Total Current Assets	<u>391,575</u>

Non-Current Assets:

Fixed Assets (Net of Accumulated Depreciation and Amortization)	<u>27,971</u>
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Total Assets	<u><u>\$419,546</u></u>
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Liabilities and Equity:

Current Liabilities:

Accounts Payable	\$1,947
Accrued Payroll	22,108
Compensated Absences Payable	7,931
Intergovernmental Payable	15,529
Total Current Liabilities	<u>47,515</u>

Equity:

Retained Earnings	<u>372,031</u>
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Total Liabilities and Equity	<u><u>\$419,546</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Operating Revenue:

Foundation Revenue	\$239,330
DPIA	114,699
Other Operating Revenues	<u>5,071</u>
Total Operating Revenues	359,100

Operating Expenses:

Salaries	263,584
Fringe Benefits	53,535
Purchased Services	127,682
Materials and Supplies	46,587
Depreciation and Amortization	9,069
Other Operating Expenses	<u>13,306</u>
Total Operating Expenses	513,763

Operating Loss (154,663)

Non-Operating Revenue:

Federal and State Grants	271,898
Private Grants and Contributions	134,624
Investment Earnings	<u>2,687</u>
Total Non-Operating Revenue	<u>409,209</u>

Net Income 254,546

Retained Earnings Beginning of Year 117,485

Retained Earnings End of Year \$372,031

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

**INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Increase/(Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$354,029
Cash Payments to Suppliers for Goods and Services	(190,370)
Cash Payments to Employees for Services	(287,361)
Other Operating Revenues	5,046
	<hr/>

Net Cash Used For Operating Activities (118,656)

Cash Flows from Noncapital Financing Activities:

Grants and Contributions Received 211,904

Net Cash Provided By Noncapital
Financing Activities 211,904

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions (18,000)

Net Cash Used for Capital
and Related financing Activities (18,000)

Cash Flows from Investing Activities:

Interest Earned on Investments 2,687

Net Cash Provided by Investing Activities 2,687

Net Increase in Cash and Cash Equivalents 77,935

Cash and Cash Equivalents Beginning of the Year 117,485

Cash and Cash Equivalents End of the Year \$195,420

(Continued)

**INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$154,663)

Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:

Depreciation and Amortization 9,069

Changes in Assets and Liabilities:

(Increase) in Accounts Receivable (25)

Decrease in Prepaid and Other 1,081

(Decrease) in Accounts Payable (2,658)

Increase in Accrued Wages 16,450

Increase in Compensated Absences Payable 2,086

Increase in Intergovernmental Payable 10,004

Total Adjustments 36,007

Net Cash Used for Operating Activities (\$118,656)

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

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

I. DESCRIPTION OF AND REPORTING ENTITY

The Intergenerational School (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 § 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. 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 mission is to provide students of kindergarten to grade four the knowledge skills and habits to be effective and empowered stewards of their community. 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.

The School was approved for operation under a contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing in the 2001 academic year. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate its contract prior to its expiration.

The School operates under the direction of an eight-member Board of Trustees. The Board of Trustees 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 qualification of teachers. The Board of Trustees controls the School's one instructional/support facility staffed by four certificated full-time teaching personnel who provide services to 78 students.

The School entered into a fiscal agent agreement with the Lucas County Educational Service Center, (LCESC). The agreement provides that the Treasurer of the LCESC shall serve as the Chief Fiscal Officer of the School. (See Note XV for further discussion of the fiscal agent agreement.)

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of have been prepared in conformity with generally accepted accounting principles 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 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.

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity consists of 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. Contributions and grants are recognized when the donor makes a promise to give to that is unconditional and are probable of collection.

3. 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 a separate bank account in the School's name. Monies for the School are maintained in these accounts or temporarily used to purchase short term investments.

In addition to the accounts maintained by the fiscal agent, the School maintains a bank account for making small purchases necessary for the daily operation of the School.

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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 on the date received. The School maintains a capitalization threshold of \$1,000.

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 are computed using the straight-line method over their estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

5. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid Program (DPIA). 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 Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$150,000 to offset start-up costs. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above-named programs for the 2002 school year totaled \$625,927.

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

The criteria for determining vacation is derived from policies and procedures approved by the Board of Trustees. Four members of the staff had vacation leave earned in the current fiscal year that had not been used at year end. The unused vacation amount is shown as a current liability of the balance sheet.

7. Private Grants and Donations

The School has received funds from private foundations and individuals to support the schools educational programs and to assist in meeting the start up costs.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

III. BUDGETING

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with the Sponsor. The contract between the School and its Sponsor does not prescribe an annual budget requirement.

IV. DEPOSITS AND INVESTMENTS

At the end of fiscal year June 30, 2002, the carrying amount of the Schools deposits were \$74,507 and the bank balances were \$83,207. Federal depository insurance covered all of the bank balance.

The School's investments are categorized to give an indication of the level of risk assumed by the School at fiscal year end. Category 1 includes investments insured or registered for which the securities are held by or its agent in the School's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School's name. The School's investment totaling \$120,913 (reported amount and fair value) is maintained in a Money Market Sweep Account (repurchase agreement), which is included in Category 3.

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

V. RECEIVABLES

Receivables at June 30, 2002, consisted of Federal Title funds, state grants, and private contributions. All receivables from Federal, state, and local governments are considered collectible in full, due to the stable condition of state programs, the current-year guarantee of Federal funds, and the financial stability of the foundation sources.

VI. FULL TIME EQUIVALENTS VERIFICATION

As of the balance sheet date, the Ohio Department of Education (ODE) has not completed its verification of the student full-time equivalents (FTE) upon which foundation payments are based. Any difference between the estimated counts and the final verification could result in adjustments to future foundation payments. However, in the opinion of management, any such difference will not have a material adverse effect on the overall financial position of the School at June 30, 2002.

VII. FIXED ASSETS

A summary of the School's fixed assets follows:

Furniture and Fixtures	\$ 26,561
Leasehold Improvements	14,789
Sub-total	<u>41,350</u>
Less Accumulated Depreciation and Amortization	<u>(13,379)</u>
Net Fixed Assets	<u><u>\$ 27,971</u></u>

VIII. PURCHASED SERVICES

Purchased Services include the following:

Professional and Technical Services	\$ 58,982
Property Services	43,452
Travel Mileage/Meeting Expense	1,101
Communications	3,437
Contracted Craft of Trade Services	6,123
Other Purchased Services	14,587
Total	<u><u>\$ 127,682</u></u>

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

IX. LEASES

The School entered into a lease with the Fairhill Center for use of the property located on 12200 Fairhill Road. The term of the lease commenced August 1, 2001 and will terminate on July 31, 2002. The School has the option to renew the lease once for a successive term of twelve months. The monthly charge for rent, including additional rent options, is \$3,789 due on the first working day of each month. Rent expenses under the lease were \$40,806 for this fiscal year ended June 30, 2002.

X. RISK MANAGEMENT

1. 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 2002, the School contracted with Indiana/Cincinnati Insurance Company for all of its insurance.

General liability is covered at \$1,000,000 single occurrence limit and \$3,000,000 aggregate. Other coverage includes Employee Dishonesty Coverage. Settled claims have not exceeded this commercial coverage in any of the past two years and there have been no significant reductions in insurance coverage from the prior year.

2. Workers' Compensation

The School makes premium payments to the Ohio Workers' Compensation System (WC) for employee injury coverage. As of June 30, 2002, there has been one claim filed by employees with WC.

3. Employee Medical, Dental, and Vision Benefits

The School makes available medical, dental, vision, life, and disability insurance benefits to all employees who work 37.5 hours or more per week. The School pays \$210 of the monthly premiums for all coverages and the employee is responsible for the remaining portions of the premiums for the selected coverage.

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

XI. DEFINED BENEFIT PENSION PLANS

1. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined 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 Employees Retirement System, 45 N. 4th St., 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 School District 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 2002, 5.46 percent of annual covered salary was the portion 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, 2002 and 2001 were \$7,199 and \$2,337; 51.62 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001. \$3,483 representing the unpaid contribution for fiscal year 2002 is recorded as a liability under "Intergovernmental Payables."

2. 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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

XI. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent, 9.5 percent was the portion used to fund pension obligations. 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 contributions for pension obligations to STRS for the fiscal years ended June 30, 2002 and 2001 were \$9,332 and \$9,002 respectively; 75.52 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$2,284 representing the unpaid contribution for fiscal year 2002 is recorded as a liability under "Intergovernmental Payables."

XII. POST-EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through 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.

For STRS, all benefit recipients are required to pay a portion of health care cost 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. As of June 30, 2002, the Board allocated employer contributions equal to 4.5 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 \$4,420 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit and to disability and for survivor benefits. 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. After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions used to fund health care benefits were 8.54 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

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

XII. POST-EMPLOYMENT BENEFITS (CONTINUED)

partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School, the amount to fund health care benefits equaled \$11,261 for fiscal 2002.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level of the health care fund. The target level of the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million dollars. At June 30, 2001, SERS had net assets available for health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

XIII. STATE SCHOOL FUNDING DECISION

On December 11, 2002, 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

XIV. CONTINGENCIES

1. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2002.

2. Pending Litigation

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

**THE INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

XV. START-UP FUNDING

The School was awarded a total of \$150,000 in Federal grants payable over three years and restricted for start up funding, of which \$50,000 was received in each of fiscal years 2001, and 2002 (See note II item 5). These monies, along with other grants received from both private and public sources, were used for the purchase of classroom materials and furniture and for leasehold improvements of classroom and office spaces. The School was also awarded a \$150,000 Federal supplemental grant during fiscal year 2002, which is recorded as non-operating revenue in the accompanying financial statements. All funds were used during the year and there is no remaining balance at year end.

XVI. FISCAL AGENT

The School entered into a fiscal agent agreement with the Lucas County Educational Service Center, (LCESC). The agreement provides that the Treasurer of the LCESC shall serve as the Chief Fiscal Officer of the School. As part of the agreement, the School is required to compensate LCESC an amount equal to two percent of the per pupil allotment paid to the School from the State of Ohio. For the year the School paid the LCESC \$4,378.

Based on the provisions of the agreement, the Chief Fiscal Officer shall perform the following duties:

- Maintain custody of all funds received by the School in segregated accounts separate from LCESC or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and spending State funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of State;
- Invest the funds of the School in the same manner as the funds of the LCESC are invested, but the Fiscal Agent shall not commingle the funds with any of the invested funds of the LCESC or any other community school, and
- Pay obligations incurred by the School within a reasonable time period, but not more than 14 calendar days after receipt of the properly executed voucher signed by the Chief Administrative Officer of the School so long as the proposed expenditure is within the approved budget and funds are available.



Auditor of State Betty Montgomery

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

Intergenerational School
Cuyahoga County
12200 Fairhill Road
Cleveland, Ohio 44120

We have audited the financial statements of the Intergenerational School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 24, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10818-001 and 2002-10818-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the school in a separate letter dated January 24, 2003.

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 January 24, 2003.

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www.auditor.state.oh.us

Intergenerational School
Cuyahoga County
Report of Independent Accountants' 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 Trustees, 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

January 24, 2003

**INTERGENERATIONAL SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2002-10818-001
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Finding for Recovery

On September 4, 2001 the Intergenerational School issued a duplicate payment to Marguerite Snipes for services rendered in the amount of \$1,300. The school notified Marguerite Snipes that the error had occurred and requested repayment of the monies. The funds were not returned.

In accordance with the foregoing facts, and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery is hereby issued against Marguerite Snipes and Richard A. Cox, Treasurer jointly and severally in the amount of \$1,300.

We recommend that the School develop and implement control procedures over payroll expenditures to verify the accuracy of payments made.

FINDING NUMBER	2002-10818-002
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Finding for Recovery

The Intergenerational School failed to withhold city income taxes from its employees. When this error was discovered the School paid to the City tax department the amount due for the city income tax not withheld from the employees payroll. Subsequent to making this payment, the School entered into agreements with most of the employees for recovery of the amount paid. Three employees did not make restitution for the payments made on their behalf.

In accordance with the foregoing facts, and pursuant to the Ohio Revised Code Section 117.28, a Finding of Recovery is hereby issued against Katherine Ann Cardwell and Richard A. Cox, Treasurer jointly and severally in the amount of \$237.55 and Susan Greenwald and Richard A. Cox, Treasurer jointly and severally in the amount of \$109.00, and Marguerite Snipes and Richard A. Cox, Treasurer jointly and severally in the amount of \$434.98.

We recommend that the School develop procedures to ensure that all necessary deduction authorization forms are on file and entered into the payroll system prior to issuing any payroll checks.



**Auditor of State
Betty Montgomery**

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INTERGENERATIONAL 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 1, 2003**