



**Auditor of State  
Betty Montgomery**



**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

East End Community School  
Montgomery County  
111 Xenia Avenue  
Dayton, Ohio 45410

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2003, and the results of its 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 February 18, 2004 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Betty Montgomery**  
Auditor of State

February 18, 2004

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**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**Assets**

Current Assets:

Cash and Cash Equivalents with Fiscal Agent	\$58,094
Intergovernmental Receivables	<u>25,103</u>

Total Current Assets	83,197
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Non-Current Assets:

Security Deposits	3,750
Fixed Assets (Net of Accumulated Depreciation)	<u>20,382</u>

Total Non-Current Assets	<u>24,132</u>
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Total Assets	<u><u>107,329</u></u>
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**Liabilities and Equity**

Current Liabilities:

Accounts Payable	9,535
Accrued Wages Payable	30,685
Intergovernmental Payable	<u>15,559</u>

Total Current Liabilities	<u>55,779</u>
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Equity

Unreserved Retained Earnings	<u>51,550</u>
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Total Liabilities and Equity	<u><u>\$107,329</u></u>
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*The accompanying notes are an integral part of the financial statements.*

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

<b>Operating Revenues</b>	
Foundation Payments	\$406,241
Miscellaneous Operating Revenue	<u>499</u>
Total Operating Revenues	<u>406,740</u>
<b>Operating Expenses</b>	
Salaries	366,701
Fringe Benefits	84,203
Building Rental	38,500
Other Purchased Services	120,051
Materials and Supplies	97,770
Depreciation	<u>1,934</u>
Total Operating Expenses	<u>709,159</u>
Operating Loss	<u>(302,419)</u>
<b>Non-Operating Revenues</b>	
State and Federal Grants	308,530
Gifts and Donations	11,000
Interest Earnings	<u>412</u>
Total Non-Operating Revenues	<u>319,942</u>
Net Income	17,523
Retained Earnings at Beginning of Year	<u>34,027</u>
Retained Earnings at End of Year	<u><u>\$51,550</u></u>

*The accompanying notes are an integral part of the financial statements.*



**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**Increase in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash received from State of Ohio	\$406,241
Cash Payments to Suppliers for Goods and Services	(250,536)
Cash Payments to Employees for Services and Benefits	(404,660)
Other Operating Income	499
Net Cash (Used for) Operating Activities	<u>(248,456)</u>

**Cash Flows from Noncapital Financing Activities**

State and Federal Grants Received	283,427
Contributions and Donations	11,000
Interest Earnings	412
Net Cash Provided by Noncapital Financing Activities	<u>294,839</u>

**Cash Flows from Capital and Related Financing Activities**

Payments for Capital Acquisitions	<u>(22,316)</u>
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Net Increase in Cash and Cash Equivalents	24,067
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Cash and Cash Equivalents at Beginning of Year	<u>34,027</u>
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Cash and Cash Equivalents at End of Year	<u><u>58,094</u></u>
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**Reconciliation of Operating (Loss) to Net Cash  
Used for Operating Activities**

Operating (Loss)	(302,419)
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**Adjustments to Reconcile Operating (Loss) to  
Net Cash (Used for) Operating Activities**

Depreciation	1,934
Changes in Assets and Liabilities:	
(Increase) in Security Deposit	(3,750)
Increase in Accounts Payable	9,535
Increase in Accrued Wages Payable	30,685
Increase in Intergovernmental Payable	15,559
Total Adjustments	<u>53,963</u>

Net Cash (Used) by Operating Activities	<u><u>(\$248,456)</u></u>
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*The accompanying notes are an integral part of the financial statements.*

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**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**1. DESCRIPTION OF THE ENTITY**

East End Community School (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. 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 contract with the Ohio State Board of Education Sponsor) for a period of five years commencing with fiscal year July 1, 2002 through June 30, 2007 after which, the School must apply for an additional contract with the Sponsor. During fiscal year 2003, the School retained under contract the financial services of the Lucas County Educational Service Center, with the Treasurer of the Lucas County Education Service Center serving as the Chief Fiscal Officer of the School (see Note 13).

The School operates under an seven-member Board of Trustees (the Board) appointed by the East End Community School Development team, including one parent who is recommended by the Principal. The East End Community School Development team ceased operations as of the appointment of at least four members to the Board. The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility staffed by one principal and eleven full-time and part-time personnel who provide services to approximately 70 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**

Enterprise accounting is used to account for operations that are financed and operated in 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.

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied is determined by the 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 liabilities) consists of retained earnings. The operating statements present increases (i.e., revenues) and decreases (i.e., 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 Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

**D. Cash and Cash Equivalents**

All monies received by the School are maintained in a demand deposit account. The bank accounts were maintained by the fiscal agent in the School's name. (See Note 13)

**E. Estimates**

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

**F. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$500. The School does not have 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 the asset's life are expensed. Depreciation of equipment is computed using the straight-line method over estimated useful lives of five to fifteen years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Intergovernmental Revenues (Nonexchange Transactions)**

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. These programs are recognized as operating revenues (foundation payments) in the accounting period in which they are earned, essentially the same as the fiscal year.

Federal and state grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants 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, the School was awarded \$50,000 for the planning phase of the School and an additional \$225,000 during the year ended June 30, 2003. Revenue from this program was used during fiscal year 2003 for activities of the startup phase of the School.

Amounts awarded under the above programs for the 2003 school year totaled \$714,771.

**H. Accrued Liabilities**

The School has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2003, including:

Wages Payable - salary payments made after year-end that were for services rendered in fiscal year 2003. Teaching personnel are paid in 24 equal installments, ending with the last pay period in July, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2003 for all salary payments made to teaching personnel during the month of July 2003.

Intergovernmental Payable – payments for the employer's share of the retirement contribution (\$14,874), workers' compensation (\$240) and Medicaid (\$445) associated with services rendered during fiscal year 2003, but not paid until the subsequent fiscal year.

**I. Federal Tax Exemption Status**

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**3. DEPOSITS AND INVESTMENTS**

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

Deposits: At June 30, 2003, the carrying amount of the School's deposits was \$58,094 and the bank balance was \$77,957, the entire balance of which was covered by federal depository insurance.

**4. INTERGOVERNMENTAL RECEIVABLES**

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the School at June 30, 2003, consisted of the following federal grants: Title I (\$23,386), Title II-D (\$1,003), Title IV (\$555) and Title V (\$159).

**5. FIXED ASSETS**

A summary of the School's fixed assets at June 30, 2003, follows:

Equipment	\$ 22,316
Less: Accumulated Depreciation	<u>(1,934)</u>
Net Fixed Assets	<u><u>\$ 20,382</u></u>

**6. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School contracted with the Erie Insurance Group for business personal property, director and officer liability and general liability insurance. Building coverage has a \$1 million dollar limit and business personal property coverage also carries a \$1 million limit, both have a \$500 deductible and an aggregate limit of \$2 million. Employer liability coverage provides \$1,000,000 per loss with a \$1,000 deductible. General liability coverage provides \$3,000,000 per occurrence and \$3,000,000 in the aggregate with no deductible. The Erie Insurance Group also provides teachers professional liability coverage of \$1 million per occurrence.

**Employee Insurance Benefits** - The School utilizes Anthem Blue Cross Blue Shield and Anthem Life Insurance Company to provide medical and life insurance benefits to School employees, for which the School pays 80% of the premiums.

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. 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 year ended June 30, 2003 were \$19,789; 62.86 percent has been contributed for fiscal year 2003.

**B. State Teachers Retirement System**

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2003 were \$45,096; 83 percent has been contributed for fiscal year 2003.

**8. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. 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 Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$3,468 during the 2003 fiscal year. The balance in the Health Care Reserve Fund was \$3.011 billion on June 30, 2002 (the latest information available).

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

For SERS, the Ohio Revised Code gives the discretionary authority to provide postretirement health care to retirees and their dependents. 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.



**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**8. POSTEMPLOYMENT BENEFITS (continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, the allocation rate is 5.83 percent. 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 2003, the minimum pay has been established at \$14,500. For the School, the amount to fund health care benefits, including the surcharge, was \$14,121 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (latest information available) were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits of \$303.6 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

**9. CONTINGENCIES**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and 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 review resulted in no under/over payment for the School.

**C. 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 laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the court of appeals, the issues have been briefed, and the case heard for oral argument on November 18, 2003. The effect of this suit, if any, on the School is not presently determinable.

**10. 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.

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**10. STATE SCHOOL FUNDING DECISION (Continued)**

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient. .." The School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**11. OPERATING LEASES**

The School leases its facilities from Otterbein United Methodist Church under an initial lease agreement beginning August 1, 2002 and ending July 31, 2003, which has subsequently been renewed for one year. The monthly lease payments during fiscal year 2003 were \$3,750. Total rental payments for fiscal year 2003 were \$41,250 with an additional \$3,750 security deposit required. Rent payments for fiscal year 2004 will be \$55,000 per the renewal agreement.

The School has also entered into a three-year operating lease for the use of copier equipment during fiscal year 2003. Monthly minimum lease payments are \$238. Total lease payments for fiscal year 2003 were \$2,620. Future lease payments are based upon usage, with a minimum monthly charge of \$ 238 per month for the remaining two years of the lease.

**12. OTHER PURCHASED SERVICES**

During the year ended June 30, 2003, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 90,885
Communication and Networking Services	5,479
Travel and Meeting Expenses	5,700
Fiscal Agent Expenses	5,277
Insurance	4,040
Contract Custodial Services	3,865
Copier Lease Payments	2,620
Pupil Transportation	800
Other	1,385
Total	<u>\$ 120,051</u>

**13. FISCAL AGENT**

The School's contract with the Lucas County Education Service Center (ESC) states the Treasurer of the ESC shall serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the ESC two percent (2%) of the per pupil allotments paid to the School from the State of Ohio. The School paid the ESC \$5,277 during fiscal year 2003. The Treasurer of the ESC shall perform all of the following functions while serving as the Chief Fiscal Officer of the School:

- a. Maintain custody of all funds received by the school in segregated accounts separate from Lucas County ESC or any other Community School's funds;
- b. Maintain all books and accounts of the School;

**EAST END COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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

**13. FISCAL AGENT (Continued)**

- c. Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and expending state funds;
- d. Invest funds of the School in the same manner as the funds of Lucas County ESC are invested, but the Treasurer shall not commingle the funds with any of the Lucas County ESC or any other community school; and
- e. 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 the proposed expenditure is within the approved budget and funds are available.

This contract with the Lucas ESC was discontinued as of July 1, 2003 and the School entered into a contract with PACE School Resource Center (SRC) to provide treasurer and financial management services for a twelve month period beginning July 1, 2003, for a one time fee of \$10,000 and a monthly service fee of \$2,000. SRC was subsequently separated from PACE and was renamed Keys to Improving Dayton Schools, Inc. without any further changes to services or cost.

**14. BEGINNING BALANCE**

The School received state start-up funds of \$50,000 and made various expenditures for support and architectural services, totaling \$15,973, associated with starting operations prior to July 1, 2002. The balance of those monies was \$34,027.

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**Auditor of State  
Betty Montgomery**

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

East End Community School  
Montgomery County  
111 Xenia Avenue  
Dayton, Ohio 45410

To the Board of Trustees:

We have audited the financial statements of East End Community School, Montgomery County (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 18, 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 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 February 18, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated February 18, 2004.

East End Community School  
Montgomery County  
Report of Independent Accounts on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

February 18, 2004



**Auditor of State  
Betty Montgomery**

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**EAST END COMMUNITY SCHOOL**

**MONTGOMERY 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, 2004**