



**OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Old Brooklyn Montessori School
Cuyahoga County
4216 Pearl Road
Cleveland, Ohio 44109

We have audited the accompanying financial statements of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2001, 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 Old Brooklyn Montessori School, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and 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 15, 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

January 15, 2002

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Old Brooklyn Montessori School
Cuyahoga County
Balance Sheet
As of June 30, 2001

Assets:

Current Assets:

Cash	\$244,208
Accounts Receivable	1,681
Intergovernmental Receivable	<u>5,238</u>
<i>Total Current Assets</i>	<u>251,127</u>

Non-Current Assets:

Fixed Assets (Net of Accumulated Depreciation)	<u>166,157</u>
<i>Total Non-Current Assets</i>	<u>166,157</u>
<i>Total Assets</i>	<u><u>\$417,284</u></u>

Liabilities and Equity:

Current Liabilities:

Accounts Payable	\$24,165
Due Other Governments	10,340
Accrued Wages and Benefits	23,176
Deferred Revenue	<u>8,710</u>
<i>Total Current Liabilities</i>	<u>66,391</u>

Equity:

Retained Earnings	<u>350,893</u>
<i>Total Equity</i>	<u>350,893</u>
<i>Total Liabilities and Equity</i>	<u><u>\$417,284</u></u>

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

**Old Brooklyn Montessori School
Cuyahoga County
Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Year Ended June 30, 2001**

Operating Revenues:

Foundation Payments	\$661,699
Other State Funding	7,454
Other Operating Revenues	<u>22,027</u>
<i>Total Operating Revenues</i>	<u>\$691,180</u>

Operating Expenses:

Salaries	\$355,358
Fringe Benefits	81,388
Purchased Services	162,600
Materials and Supplies	86,804
Depreciation	30,228
Other Operating Expenses	<u>4,434</u>
<i>Total Operating Expenses</i>	<u>\$720,812</u>
Operating Loss	<u>(\$29,632)</u>

Non-Operating Revenues:

Interest	\$6,412
Grant Revenues	57,310
Private Grants and Contributions	<u>55,808</u>
<i>Total Non-Operating Revenues</i>	<u>\$119,530</u>
Net Income	\$89,898
Retained Earnings at Beginning of Year	<u>\$260,995</u>
Retained Earnings at End of Year	<u><u>\$350,893</u></u>

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

**Old Brooklyn Montessori School
Cuyahoga County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2001**

Increase (Decrease) in Cash:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$669,153
Cash Payments to Suppliers for Goods and Services	(340,792)
Cash Payments to Employees for Services	(332,182)
Other Operating Revenues	<u>22,027</u>
Net Cash Provided by Operating Activities	<u>\$18,206</u>

Cash Flows from Noncapital Financing Activities:

Operating Grants Received	<u>\$113,118</u>
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Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(\$70,310)</u>
Net Cash Used for Capital and Related Financial Activities	<u>(\$70,310)</u>

Cash Flow from Investing Activities:

Interest	<u>6,412</u>
Net Increase in Cash	\$67,426
Cash and at Beginning of Year	<u>\$176,782</u>
Cash at End of Year	<u><u>\$244,208</u></u>

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

Old Brooklyn Montessori School
Cuyahoga County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2001
(Continued)

Reconciliation of Operating (Loss) to Net Cash Provided for Operating Activities:

Operating Loss	(\$29,632)
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Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:

Depreciation	30,228
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(5,169)
Increase in Accounts Payable	20,653
(Decrease) in Accrued Wages and Benefits	(5,844)
Increase in Due Other Governments	10,340
(Decrease) in Deferred Revenue	(2,370)
Total Adjustments	47,838
Net Cash Provided by Operating Activities	\$18,206

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

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

I. Description of the School and Reporting Entity

Old Brooklyn Montessori School (OBMS) is a nonprofit corporation established February 3, 1997 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under § 501(c)(3) of the Internal Revenue Code. **OBMS**, which is part of Ohio's education program, is independent of any school district. **OBMS** may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of **OBMS**.

A proposal was initially forwarded to the Ohio Department of Education by **OBMS** on April 9, 1998 to open a community school in the fall of 1998. The Ohio Department of Education approved the proposal and entered into a contract with **OBMS** which provided for the commencement of operations at the beginning of the 1998-99 school year. **OBMS** is an approved tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

OBMS operates under a four-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Trustees controls **OBMS'** one instructional facility staffed by 2 uncertified and 11 certificated full time teaching personnel who provide services to 123 students.

OBMS entered into an agreement with Constellation Community Schools (CCS) to provide management services for the fiscal year. Two board members of **OBMS** are also board members of CCS, Parma Heights Community School and Parma Community School.

II. Summary of Significant Accounting Policies

The financial statements of **OBMS** 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. **OBMS** 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 **OBMS'** accounting policies are described below.

OLD BROOKLYN MONTESSORI SCHOOL

— A Community School —

Cuyahoga County

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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. 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.

3. Cash and Cash Equivalents

All monies received by **OBMS** are deposited in demand deposit accounts.

4. 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 for in the school's contract with its sponsor. The contract between the school and its sponsor does not prescribe a budgeting process for the school.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

II. Summary of Significant Accounting Policies (Continued)

5. Accounts Receivable

Moneys due **OBMS** for the year ended June 30, 2001 are recorded as accounts receivable. A current asset for the receivable amount is recorded at the time of the event causing the moneys to be due.

6. 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 values as of the dates received. **OBMS** 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 and equipment is computed using the straight-line method over their estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. All items with a useful life of one year or greater were capitalized, regardless of amount. Estimated useful lives are as follows:

Fixed Asset Classification	Years
Leasehold Improvements	3
Computers and Office Equipment	3
Furniture and Equipment	10

7. Intergovernmental Revenues

OBMS currently participates in the State Foundation Program, 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.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

II. Summary of Significant Accounting Policies (Continued)

7. Intergovernmental Revenues (Continued)

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 the 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, **OBMS** was awarded \$50,000 to offset start-up costs of the School. 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 2001 school year totaled \$782,271.

8. Compensated Absences

Vacation is to be taken in a manner which corresponds with the school calendar, therefor **OBMS** does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one day per month and cannot be carried into the subsequent year. No accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

9. Use of Estimates

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

OLD BROOKLYN MONTESSORI SCHOOL

— A Community School —

Cuyahoga County

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

III. Deposits and Investments

At fiscal year end June 30, 2001, the carrying amount of **OBMS'** deposits totaled \$244,208 and its bank balance was \$276,718. Of the bank balance, \$200,000 was covered by the Federal Depository Insurance Corporation and \$76,718 was covered by Firststar Bank pledged pooled collateral securities. The Ohio Uniform Depository Act stipulates that Firststar Bank N.A. pledge collateral for the deposits of the Old Brooklyn Montessori School in a pool of securities under Section 135.181 of the Ohio Revised Code.

IV. Fixed Assets

A summary of **OBMS'** fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$129,134
Leasehold Improvements	111,346
Less Accumulated Depreciation	<u>(74,323)</u>
Net Fixed Assets	<u>\$166,157</u>

V. Purchased Services

Purchased Services include the following:

Occupancy costs	\$ 53,278
Pupil Support Services	22,484
Instruction	8,250
Administrative	56,962
Staff Development	<u>21,626</u>
Total	<u>\$162,600</u>

VI. Operating Leases

OBMS leases its facilities from St. Lukes United Church of Christ under a one-year lease agreement. Lease payments made during the year ended June 30, 2001 totaled \$18,450.

On June 8, 2001 a lease agreement was entered into between **OBMS** and Nunzio Marzano, for a building located at 3326 Broadview Road, Cleveland. This lease commenced on July 1, 2001 and continues for a two year period ending June 30, 2003. The lease provides for annual lease payments of \$48,000. The lease provides **OBMS** with an option to renew for one additional five year period. The rent payments on the renewal period shall be negotiated at the time of renewal.

OLD BROOKLYN MONTESSORI SCHOOL

— A Community School —

Cuyahoga County

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

VI. Operating Leases (Continued)

The lease also provides that OBMS will pay Nunzio Marzano \$1,250 per month for a period of 120 months to reimburse the lessor for build-outs and improvements made to the building.

If for any reason the lease is terminated prior to the end of the 120 months the lessee agrees to pay the remaining balance of the improvements in full.

VII. Risk Management

1. Property and Liability Insurance

OBMS 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 2001, **OBMS** contracted with Cincinnati Insurance Company for all of its' insurance.

General liability is covered at \$1,000,000 single occurrence limit and \$5,000,000 aggregated. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Directors and Officers, Employee Crime, Sexual Abuse and Misconduct, Electronic Data Processing and Business Interruption.

2. Workers' Compensation

OBMS makes premium payments to the Ohio Worker's Compensation System (WC) for employee injury coverage. As of June 30, 2001 there have been no claims filed by employees with WC.

3. Employee Medical, Dental, and Vision Benefits

OBMS provides medical insurance benefits to all full time employees. Up to \$3,500 in premiums are paid by **OBMS** for each employee that elects to have coverage. Those employees whose coverage exceeds the \$3,500 limit reimburse **OBMS** through payroll deduction. During the current fiscal year the cost to **OBMS** for medical insurance benefits was \$20,005.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

VIII. Defined Benefit Pension Plans

1. School Employees Retirement System

OBMS contributes to the School Employees Retirement System of Ohio (“SERS”), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 N. 4th St., Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and **OBMS** is required to contribute 14%. For fiscal year 2001, 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS’s Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. **OBMS’** required contribution to SERS for the Fiscal Year Ended June 30, 2001, was \$3,868. For Fiscal Year 2001, **OBMS** contributions totaling \$452 were payable at year end. All other contributions were paid during fiscal year 2001.

2. State Teachers Retirement System

OBMS 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

VIII. Defined Benefit Pension Plans (Continued)

2. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 % of their annual covered salary and **OBMS** is required to contribute 14%. The portion used to fund pension obligations was 9.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. **OBMS'** required contribution to STRS for the Fiscal Year Ended June 30, 2001, was \$50,572. For Fiscal Year 2001, **OBMS** contributions totaling \$6,625 were payable at year end. All other contributions were paid during fiscal year 2001.

IX. Post-Employment Benefits

OBMS 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.

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% of covered payroll. As of June 30, 2001, the board allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For OBMS, this amount equaled \$16,254 during fiscal 2001.

OLD BROOKLYN MONTESSORI SCHOOL

— A Community School —

Cuyahoga County

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

IX. Post-Employment Benefits (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal 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. After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year, employer contributions used to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For OBMS, the amount to fund health care benefits, including surcharge, equaled \$2,707 during fiscal 2001.

X. 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.
- 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 January 15, 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.

OLD BROOKLYN MONTESSORI SCHOOL
— **A Community School** —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

X. State School Funding Decision (Continued)

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, **OBMS** 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.

XI. Contingencies

1. Grants

OBMS 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 **OBMS**. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of **OBMS** at June 30, 2001.

2. 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 **OBMS** is not presently determinable.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

XII. Management Agreement

On November 15, 2000 **OBMS** entered into an agreement with Constellation Community Schools (CCS) to provide legal, financial, and business management services for the fiscal year 2001. The agreement was for a period of one year, effective July 1, 2000 with a cost of \$2,500 per month. The total amount due from **OBMS** for the fiscal year ending June 30, 2001 was \$30,000, of which \$2,500 was payable at June 30, 2001.

Subsequent to June 30, 2001, this agreement was renewed and expanded to include curriculum assistance and to provide specialized staffing needs, such as, special education and physical education. A basic annual fee of \$500 per enrolled student will be charged for the administrative activities. Specialized staffing will be billed on a reimbursement basis.

XIII. Related Parties

Two members of the **OBMS** Board of Trustees are also members of the Constellation Community Schools (CCS) governing board. **OBMS** contracts with CCS for legal, financial and business management services. The two members of the **OBMS** Board of Trustees received a total of \$20,268 from CCS for legal and financial services related to the startup of new community schools.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees
Old Brooklyn Montessori School
Cuyahoga County
7667 Day Drive
Parma, Ohio 44129

We have audited the financial statements of the Old Brooklyn Montessori School, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 15, 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.

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*.

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 15, 2002.

Old Brooklyn Montessori School
Cuyahoga County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 15, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

OLD BROOKLYN MONTESSORI 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
MARCH 12, 2002**