



**Auditor of State
Betty Montgomery**

LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet.....	3
Statement of Revenue, Expenses and Changes in Retained Earnings	4
Statement of Cash Flows	5
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	19

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Life Skills Center of Clark County
Clark County
1637 Selma Road
Springfield, Ohio 45505

To the Board of Trustees:

We have audited the Balance Sheet of the Life Skills Center of Clark County, Clark County, (the School) as of June 30, 2002, and the related Statements of Revenue, Expenses, and Changes in Retained Earnings and of Cash Flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these general purpose 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 Life Skills Center of Clark County, Clark County, as of June 30, 2002, 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, 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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 18, 2003

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**Life Skills Center of Clark County
Clark County
Balance Sheet
As of June 30, 2002**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 37,084
State Funding Receivable	129,783
Grants Receivable	<u>46,377</u>

Total Assets **\$ 213,244**

LIABILITIES AND EQUITY

Current Liabilities

Accrued Income Tax Payable	\$ 6,155
Grants Funding Payable	69,877
Continuing Fees Payable	<u>110,315</u>

Total Current Liabilities 186,347

EQUITY

Retained Earnings 26,897

Total Liabilities and Equity **\$ 213,244**

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

**Life Skills Center of Clark County
Clark County
Statement of Revenue, Expenses, and Changes in Retained Earnings
For the Year Ended June 30, 2002**

OPERATING REVENUE

State Foundation	\$ 919,693
Vocational Funding	117,890
Miscellaneous	10
	1,037,593
Total Operating Revenue	1,037,593

OPERATING EXPENSES

Purchased Services: Management Fees	906,946
Purchased Services: Grant Administration	200,378
Facility Costs	66,880
Legal	10,050
Insurance	188
Advertising	361
Board Stipends	240
Miscellaneous	252
	1,185,295
Total Operating Expenses	1,185,295

Operating Loss (147,702)

NON-OPERATING REVENUE

Grants 200,378

Net Income before Taxes 52,676

Income Tax (6,155)

Net Income after Taxes 46,521

Accumulated Deficit, July 1, 2001 (19,624)

Retained Earnings, June 30, 2002 \$ 26,897

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

**Life Skills Center of Clark County
Clark 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 Sources	\$ 907,800
Cash Payments to Suppliers for Goods and Services	(1,074,719)
Other Operating Revenue	<u>10</u>
Net Cash Used for Operating Activities	(166,909)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grant Programs	<u>154,000</u>
Net Decrease in Cash and Cash Equivalents	(12,909)
Cash and Cash Equivalents at Beginning of Year	<u>49,993</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 37,084</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

Operating Loss	\$ (147,702)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Changes in Assets and Liabilities:	
State Funding Receivable	(129,783)
Accounts Payable	(24,615)
Grant Funding Payable	69,877
Continuing Fees Payable	<u>65,314</u>
Total Adjustments	<u>(19,207)</u>
Net Cash Used for Operating Activities	<u><u>\$ (166,909)</u></u>

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

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**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center of Clark County (the School), formally known as the You Can Excel Life Skills Learning Center of Springfield, Ohio 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 contracts with WHLS of Ohio, LLC (WHLS) for most of its functions. See Note 10.

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years from May 16, 2000 through June 30, 2005. The School operates under a self-appointing three-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will 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 which is not part of the reporting entity staffed by teaching personnel employed by WHLS which provides services to 176 students. The Board also operates the Life Skills Center of Butler County in the city of Middletown and the Hope Academy Cuyahoga County Campus in the city of Cleveland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

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

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund 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 (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. BUDGETARY PROCESS

Unlike traditional 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 School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. For purposes of the Statement of Cash Flows and for presentation on the Balance Sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. FIXED ASSETS AND DEPRECIATION

The School operates under a management agreement with WHLS, and as such the School has no fixed assets. (See Note 10.)

F. INTERGOVERNMENTAL REVENUES

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program. Revenue received from these programs is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenue 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 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 2002 school year totaled \$1,237,971.

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

3. DEPOSITS

At year-end, the carrying amount of the School's deposits was \$37,084, and the bank balance was \$37,248. All of the bank balance was covered by federal depository insurance. No amounts were uninsured and uncollateralized.

4. STATE FUNDING RECEIVABLE

The School has recognized on its balance sheet a "State funding receivable". This consists of Career Based Intervention ("vocational") funding that the School applied for during the fiscal year ended June 30, 2002. Until the passage of House Bill 94 by the Ohio legislature in June 2001, the School had not been eligible for vocational funding. During the year, the School completed an application to the Ohio Department of Education to qualify its program for vocational funding. On April 26, 2002, the State granted its approval of School's program stating that it would pay up to 460 hours of educational opportunities per student out of a total of 920 hours. The total of \$117,890 is the total estimated to be received from the State as of June 30, 2002. No payments had been made to the School as of year end.

The School has also recognized on its balance sheet a "State funding receivable" for the amount of State Basic Aid estimated to be paid to the School to the Ohio Department of Education (ODE) based on the difference in the amount the school actually received versus the amount earned through student full-time equivalent (FTE) enrollment as determined at the end of the year. A receivable reflects that the School was funded on a lower estimated enrollment figure throughout the year than what the FTE enrollment figure was calculated to be at year end. At June 30, 2002, the amount of this "State funding receivable" was \$11,893, for a total receivable of \$129,783 at June 30, 2002.

5. CONTINUING FEES PAYABLE

Under the terms of the management agreement (See Note 10), a related "Continuing fees payable" to WHLS has been recorded by the school for 85% of the amount of "State funding receivable" due from the State for vocational funding and for underpayment of State Basic Aid throughout the year. (See Note 4.)

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

6. GRANTS RECEIVABLE/ PAYABLE

The School has recorded “Grants receivable” in the amount of \$46,377 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2002.

Additionally, under the terms of the management agreement (See Note 10), the School has recorded a liability to WHLS in the amount of \$69,877 for 100% of any State and Federal monies uncollected or unpaid to WHLS as of June 30, 2002.

7. LEASE AGREEMENT

The School entered into a five-year lease agreement with Zeus Shopping Center, Inc. on February 7, 2001. The Lease Agreement terms call for the school to pay \$47,730 annually. The Lease may be renewed for a subsequent five-year term by the lessee if there are no uncured defaults and lessee has provided written notice to the lessor of their intention to renew.

The present value of the minimum lease payments is as follows:

<u>FY</u>	<u>Amount</u>
2003	\$ 47,730
2004	47,730
2005	47,730
2006	<u>27,843</u>
Total	<u>\$ 171,033</u>

8. FACILITY COSTS

Under the terms of the management agreement, the School is responsible for all costs associated with the facility and its upkeep. The following are the School’s facility costs for the year ended June 30, 2002:

<u>Description</u>	<u>Amount</u>
Rent	\$ 47,730
Utilities	<u>19,150</u>
Total	<u>\$ 66,880</u>

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

9. 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. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. (See Note 10.)

10. AGREEMENT WITH WHLS

Effective June 20, 2000, the School entered into a five-year Management Agreement (Agreement) with WHLS which is an educational consulting and management company. The Agreement's term coincides with the school's charter agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Trustees (the "School Board") for the administration, operation and performance of the School in accordance with the School's contract with the Ohio State Board of Education to operate the School. The School had purchased service expenses for the year ended June 30, 2002 to WHLS of \$1,107,324 and a payable to WHLS at June 30, 2002 aggregating \$180,192. Purchased Service expense also includes \$25,000 paid to the Springfield Urban League for certain start-up expenses. Significant provisions of the Agreement are as follows:

Financial Provisions

Management, Consulting, and Operation Fee. The School is required to pay WHLS a monthly continuing fee of 85% of the School's "Qualified Gross Revenues", defined in the Agreement as, "...all revenues and income received by the School except for charitable contributions" and "shall receive 100% of any and all grants or funding of any kind generated by the Company, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee is paid to the Company based on the previous month's qualified gross revenues.

Other School Financial Responsibilities. The School is responsible for its directors' and officers' insurance, commercial insurance, rent, utilities, legal fees for School Board representation and general corporate matters, accounting, audit, tax and consulting fees for the School, and other miscellaneous expenses not incurred in the normal day-to-day operation of the School.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

WHLS Financial Responsibilities

Except as otherwise provided in the Agreement, all costs incurred in providing the educational program at the School are to be paid by WHLS. Such costs include, but are not limited to, salaries and benefits for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements. All personal property used in the operation of the School is the property of WHLS, unless purchased directly by the School with its separate funds.

WHLS is required to maintain, at WHLS' expense, commercial general liability insurance in the name of the School in an amount not less than \$1 million per occurrence and \$2 million in the aggregate, and excess umbrella liability insurance of not less than \$10 million per occurrence and \$15 million in the aggregate.

Personnel

WHLS has the responsibility and authority to determine staffing levels, and to select, evaluate, assign, discipline, transfer and terminate personnel, consistent with state and federal law and the Contract.

Compensation and benefits of all employees of the School is paid by WHLS. If WHLS fails to pay this compensation, the School, in its sole discretion, may pay such compensation and offset the amount by withholding an equal amount from the fees owed to WHLS under the Agreement.

Agreement Termination

Termination by the School. The School may terminate the Agreement in the event WHLS materially breaches the Agreement or the Contract and WHLS does not cure the material breach within 90 days of its receipt of written notice from the School, unless the breach cannot be reasonably cured within 90 days, in which case WHLS shall promptly undertake and continue efforts to cure said material breach within a reasonable time.

Termination by WHLS. WHLS may, at its option, terminate the Agreement upon the occurrence of certain events as defined in the Agreement.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

11. DEFINED BENEFIT PENSION PLANS

The School has contracted with WHLS to provide employee services and to pay those employees. However, these contract services do not relieve the school of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the school ultimately responsible for remitting retirement contributions to each of the systems noted below: (See Note 10.)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The School 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, annual cost-of-living adjustments, 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, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's rate is 14% 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% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2001, 4.20% was 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 year ended June 30, 2002 were \$5,164.

B. STATE TEACHERS RETIREMENT SYSTEM

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustment, 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

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM

information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3% of their annual covered salaries. The School was required to contribute 14%; 9.5% 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% for members and 14% for employers. The School's required contributions for pension obligations to STRS for the year ended June 30, 2002 were \$19,789.

12. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the State 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 funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$9,374 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). 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.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

12. POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium.

For fiscal year 2002, employer contributions to fund health care benefits were 8.54% of covered payroll. For fiscal year 2001, 9.8% was used to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and member's pay, pro-rated for partial credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million.

At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School, the amount to fund health care benefits, including surcharge, equaled \$9,677 during the 2002 fiscal year.

13. 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.

**LIFE SKILLS CENTER OF CLARK COUNTY
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

13. CONTINGENCIES (Continued)

B. 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 laws. The effect of this suit, if any, on the Life Skills Center of Clark County is not presently determinable.

14. START-UP PERIOD

The School began its start-up operations in February 2001, although students were not served until August 2001. During the period from February 2001 to June 30, 2001 the School received \$50,000 in Federal Charter School Grant Funds of which \$45,001 was payable to WHLS as of June 30, 2001 per the Management Agreement. The School also incurred expenses of \$24,623 in legal, insurance, rent, and utility expenses during the period.

15. FEDERAL TAX STATUS

In accordance with the options granted under existing Ohio law, the School has not filed for tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The School has indicated that it will operate this School as an Ohio not-for-profit corporation but will not currently apply for tax exempt status under any Internal Revenue Code Section, including, but not limited to, Internal Revenue Code Section 501(c)(3). As such, the School is subject to federal income tax. The School has estimated its current federal tax liability based on its pre-tax income for the year ended June 30, 2002 and has recorded the amount as "Accrued Income Tax Payable" on the accompanying Balance Sheet. The School is in the process of completing the appropriate income tax filing requirements and may be subject to penalties.

16. 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 is unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**Auditor of State
Betty Montgomery**

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

Life Skills Center of Clark County
Clark County
1637 Selma Road
Springfield, Ohio 45505

To the Board of Trustees:

We have audited the financial statements of Life Skills Center of Clark County, Clark County, (the School) as of and for the year ended June 30, 2002, 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 the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the School in a separate letter dated February 18, 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 operations that we consider to be material weakness.

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, 2003.

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

February 18, 2003



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

LIFE SKILLS CENTER OF CLARK COUNTY

CLARK 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**