



**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**Auditor of State  
Betty Montgomery**



WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Balance Sheet as of June 30, 2002	3
Statement of Revenues, Expenses and Changes in Retained Earnings for the Year Ended June 30, 2002	4
Statement of Cash Flows for the Year Ended June 30, 2002	5
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Board of Directors  
Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

We have audited the accompanying financial statements of the Newburgh Heights Community School Foundation, Inc., dba Washington Park Community School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 Newburgh Heights Community School Foundation Inc., dba Washington Park Community School, Cuyahoga County, Ohio, as of June 30, 2002, 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 August 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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 18, 2003

**This page intentionally left blank.**

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY  
BALANCE SHEET  
As of June 30, 2002**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 142,600
State grants receivable	1,675
<b>TOTAL CURRENT ASSETS</b>	<b><u>144,275</u></b>

**NON-CURRENT ASSETS**

**PROPERTY AND EQUIPMENT**

Furniture and equipment	13,161
Leasehold improvements	187,512
	<u>200,673</u>
Less: accumulated depreciation	(6,813)
<b>TOTAL NON-CURRENT ASSETS</b>	<b><u>193,860</u></b>

<b>TOTAL ASSETS</b>	<b><u><u>\$ 338,135</u></u></b>
---------------------	---------------------------------

**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 4,307
Current portion of capital lease obligations	3,047
Accrued wages and benefits	31,953
	<u>39,307</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,307</b>

**NON-CURRENT LIABILITIES**

Capital lease obligation	3,825
	<u>43,132</u>
<b>TOTAL LIABILITIES</b>	<b><u>43,132</u></b>

**FUND EQUITY**

Retained earnings	295,003
	<u>295,003</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u><u>\$ 338,135</u></u></b>

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

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
For the Year Ended June 30, 2002**

**OPERATING REVENUES**

Foundation payments	\$	779,017
Other operating revenues		<u>2,033</u>
 TOTAL OPERATING REVENUES		 781,050

**OPERATING EXPENSES**

Salaries		376,655
Retirement		43,168
Insurance		35,398
Purchased services		95,584
Materials and supplies		132,849
Utilities		19,065
Depreciation		6,813
Other operating expenses		<u>10,328</u>
 TOTAL OPERATING EXPENSES		 <u>719,860</u>
 OPERATING INCOME		 61,190

**NON-OPERATING REVENUES**

Federal and State Grants		<u>207,675</u>
 NET INCOME		 268,865
 RETAINED EARNINGS AT BEGINNING OF YEAR		 <u>26,138</u>
 RETAINED EARNINGS AT END OF YEAR		 <u><u>\$ 295,003</u></u>

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



**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2002**

**Increase (Decrease) in Cash**

**Cash flows from operating activities:**

Cash received from State of Ohio	\$ 779,017
Cash payments to employees for services and benefits	(387,870)
Cash payments to suppliers for goods and services	(278,589)
Cash payments for other operating services	(10,328)
Other operating revenues	2,033
Net cash provided by operating activities	<u>104,263</u>

**Cash flows from noncapital financing activities:**

State and federal grants	<u>206,000</u>
--------------------------	----------------

**Cash flows from capital and related financing activities:**

Cash payments for capital acquisitions	(166,902)
Cash payments on capital lease	(2,128)
Cash received on short-term loan	11,300
Cash payments on short-term loan	(11,560)
	<u>(169,290)</u>
Net increase in cash	140,973

Cash at beginning of year	<u>1,627</u>
---------------------------	--------------

Cash at end of year	<u><u>\$ 142,600</u></u>
---------------------	--------------------------

**Reconciliation of operating income to net cash used in operating activities:**

Operating income	<u>\$ 61,190</u>
------------------	------------------

**Adjustments to reconcile operating income to net cash provided by operating activities:**

Depreciation	6,813
Increase in liabilities:	
Increase in accounts payable	4,307
Increase in accrued wages and benefits	31,953
Total adjustments	<u>43,073</u>
Net cash provided by operating activities	<u><u>\$ 104,263</u></u>

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

**This page intentionally left blank.**

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002**

**NOTE 1—DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Washington Park Community School (the School) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new start-up school in Cleveland Municipal School District. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was approved for operation under contract with the State of Ohio for a period of five years commencing with the fiscal year ended June 30, 2001.

The School operates under the direction of a self-appointing, six member Board of Directors. 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 qualifications of teachers. The Board controls the School's one instructional/support facility staffed by seven certificated full-time teaching personnel who provide services to approximately 130 students.

**NOTE 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.

**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 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.

**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.

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002  
(Continued)**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED**

**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 Chapter 5705, unless specifically provided in the school's contract. The contract between the School and the State Department of Education does not prescribe a budgetary process for the School per Ohio Rev. Code Chapter 5705.

**Property and Equipment:** Property and equipment are capitalized at cost. Leasehold improvements are also capitalized. The School maintains a capitalization threshold of \$1,000, while repairs and maintenance that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture, equipment, and leasehold improvements is computed using the straight-line method based on estimated useful life of 5 to 39 years.

Depreciation expense for the year ended June 30, 2002 was \$6,813. The School does not have any infrastructure or capitalized interest.

**Revenues:** The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$100,000 to be received in equal installments in fiscal years 2001 and 2002 in order to offset start-up costs of the School. The School also received an additional \$150,000 in start-up funds in fiscal year 2002 for a total amount received to date of \$250,000. This program is recognized as non-operating revenue on the accompanying financial statements.

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

**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.

**Purchased Services:** The School purchased services in the amount of \$95,584 for the year ended June 30, 2002. This includes the following:

Consulting fees	\$ 33,456
General services	38,107
Busing and transportation fees	2,284
Professional development	<u>21,737</u>
	<u>\$ 95,584</u>

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002  
(Continued)**

**NOTE 3—CASH**

At fiscal year end June 30, 2002, the carrying amount of the School's deposits totaled \$142,600 and its bank balance was \$148,434. Of the bank balance \$100,000 was covered by the Federal Depository Insurance Corporation and \$48,434 was covered by FirstMerit Bank pledged pooled collateral securities. The Ohio Depository Act stipulates that FirstMerit Bank N.A. pledge collateral for the deposits of the School in a pool of securities under Section 135.181 of the Ohio Revised Code.

**NOTE 4—STATE GRANTS RECEIVABLE**

Receivables at June 30, 2002 consisted of state grants. All state grants are considered collectible in full, due to the stable condition of State programs.

**NOTE 5—PROPERTY AND EQUIPMENT**

A summary of the School's property and equipment at June 30, 2002 follows:

Furniture and equipment	\$ 13,161
Leasehold improvements	<u>187,512</u>
Total property and equipment	200,673
Less: accumulated depreciation	<u>(6,813)</u>
Net fixed assets	<u>\$ 193,860</u>

**NOTE 6—CAPITAL LEASE OBLIGATION**

The School entered into a capitalized lease agreement for a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The following is a schedule of the future minimum lease payments as of June 30, 2002.

During the fiscal year, the School paid \$2,848 for this lease agreement.

<u>Year ending June 30,</u>	<u>Copier</u>
2003	\$ 3,418
2004	3,418
2005	<u>570</u>
Total future minimum lease payments	7,406
Less: amount representing interest	<u>(534)</u>
Present value of future minimum lease payments	6,872
Less: current portion of capital lease obligation	<u>3,047</u>
Long-term capital lease obligation	<u>\$ 3,825</u>

The copier leased by the School has a capitalized cost of \$9,260 less accumulated depreciation of \$1,698 at June 30, 2002.

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002  
(Continued)**

**NOTE 7—RISK MANAGEMENT**

**Property and Liability:** The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the School contracted with Indiana Insurance Company for property and general liability insurance with a \$2,000,000 aggregate limit.

**Workers' Compensation:** The School pays the Ohio Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**Employee Medical, Dental, and Vision Benefits:** The School has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits. The School paid premiums, up to \$250 per month per employee, for this coverage.

**NOTE 8—DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System:** The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. 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 North Fourth Street, Columbus, Ohio 43215-3634.

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 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 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirement of plan members and the School are established and may be amended by the SERS Board of Trustees. The School's required contribution to SERS for the fiscal year ended June 30, 2002 was \$6,892. The full amount has been contributed for 2002.

**State Teachers Retirement System:** The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides basic retirement and disability, survivor, health care benefits, and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the STRS Board of Trustees. 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, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The School's rate is 14% of annual covered payroll; 9.5 percent was the portion used to fund pension obligations. The contribution requirement of plan members and the School are established by and may be amended by the STRS Board of Trustees. The School's contribution to STRS for the fiscal year ended June 30, 2002 was \$17,302. The full amount has been contributed for 2002.

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002  
(Continued)**

**NOTE 8—DEFINED BENEFIT PENSION PLANS—CONTINUED**

**Social Security System:** Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, the School has no employees or members of the Board who contribute to Social Security.

**NOTE 9—POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System:** The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service. 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 their premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002, (the latest information available) the allocation rate was 8.54%. 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 2002, the minimum pay was established as \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$10,779.

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million.

At June 30, 2001, the SERS net assets available for payment of health care benefits was \$242.2 million, at cost. The number of participant's currently receiving health care benefits is approximately 50,000 statewide.

**State Teachers Retirement System:** The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

STRS currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$8,195.

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

**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002  
(Continued)**

**NOTE 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.

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.

**NOTE 11—CONTINGENCIES**

**Grants:** The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2002.

**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. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues.

**Enrollment FTE:** The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Based on ODE's review, there are no adjustments to the state funding received during fiscal year 2002.

**NOTE 12—RENTAL AGREEMENT**

As of June 2002, the School has entered into a rental agreement with the Village of Newburgh Heights, Ohio, for the use of classrooms and office space. This agreement commenced on June 1, 2001 and was for the period of one year with renewal options every year for four years. Annual rent payments for the use of these facilities total \$1.

**NOTE 13—RELATED PARTIES**

Two members of the School's Board of Directors have been hired by the School to provide services. The Treasurer received compensation totaling \$28,925 and the Facilities Manger received \$22,925 for the fiscal year ended June 30, 2002.

The School purchased services from an outside consulting firm whose sole shareholder is a member of the School's Board of Directors. Fees paid to this consulting group totaled \$19,922 for the fiscal year ended June 30, 2002. Two members of the School's Board of Directors are also employees of the consulting firm.



**WASHINGTON PARK COMMUNITY SCHOOL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002  
(Continued)**

**NOTE 13—RELATED PARTIES—CONTINUED**

A member of the School's Board of Directors, who is also an employee, made a short-term loan to the School in the amount of \$9,300 with no formal terms of repayment to the, which were repaid at June 30, 2002.

Charter Development Foundation advanced monies in the amount of \$2,000, which were repaid at June 30, 2002. A member of the School's Board of Directors is affiliated with Charter Development Foundation.

**NOTE 14—RETAINED EARNINGS**

At the fiscal year end June 30, 2001, the School had retained earnings in the total amount of \$26,138. These retained earnings were comprised of the following:

State Grant Funds	\$ 50,000
Contributions	4,500
Less total start up expenses incurred for the period ending June 30, 2001	<u>(28,362)</u>
Retained earnings at June 30, 2001	<u>\$ 26,138</u>

**NOTE 15—ACCRUED WAGES AND BENEFITS**

Wages and benefits (\$31,953) which were due but unpaid as of June 30, 2002, are reported as Accrued Wages and Benefits in the accompanying Balance Sheet.

**This page intentionally left blank.**



## **Auditor of State Betty Montgomery**

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

Board of Directors  
Newburgh Heights Community School Foundation, Inc., dba  
Washington Park Community School  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

We have audited the financial statements of the Newburgh Heights Community School Foundation, Inc., dba Washington Park Community School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated August 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 certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated August 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 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 August 18, 2003.

Washington Park Community School  
Cuyahoga County  
Independent Accountants' Report on Compliance and  
on Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management and the Board of Directors, 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

August 18, 2003



**Auditor of State  
Betty Montgomery**

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

**WASHINGTON PARK COMMUNITY 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  
SEPTEMBER 25, 2003**