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STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

The W. C. Cupe Community School
Franklin County
1132 Windsor Avenue
Columbus, Ohio 43211

We have audited the accompanying Balance Sheet of the W.C. Cupe Community School, Franklin County, Ohio (the School) as of June 30, 2002, the related Statement of Revenues, Expenses and Changes in Retained Earnings and Statement 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 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 W.C. Cupe Community School, Franklin 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 November 4, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 4, 2002

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**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

Assets

Current Assets

Equity in Pooled Cash	\$ 179,194
Intergovernmental Receivables	43,347
Prepaid Items	<u>967</u>
Total Current Assets	223,508

Non-Current Assets

Fixed Assets (Net of Accumulated Depreciation)	<u>68,042</u>
Total Assets	<u><u>\$ 291,550</u></u>

Liabilities and Equity

Current Liabilities

Accounts Payable	\$ 65,516
Accrued Wages Payable and Benefits	58,773
Compensated Absences Payable	5,564
State Pension Payable	7,534
Intergovernmental Payable	<u>16,787</u>
Total Liabilities	154,174

Equity

Retained Earnings	<u>137,376</u>
Total Equity	<u>137,376</u>
Total Liabilities and Equity	<u><u>\$ 291,550</u></u>

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

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

Operating Revenues

Foundation Payments	\$ 443,695
Disadvantaged Public Impact Aid	263,927
Food Services	7,364
Other	2,662
Total Operating Revenues	<u>717,648</u>

Operating Expenses

Salaries	420,783
Fringe Benefits	81,120
Purchased Services	239,870
Materials and Supplies	85,382
Depreciation	4,774
Other	9,716
Total Operating Expenses	<u>841,645</u>

Operating Loss (123,997)

Non-Operating Revenues

Non-Operating Grants	
Federal Sources	257,647
State Sources	1,675
Interest Income	1,986
Miscellaneous	65
Total Non-Operating Revenues	<u>261,373</u>

Net Income 137,376

Retained Earnings at beginning of Year 0

Retained Earnings at End of Year \$ 137,376

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

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN 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	\$	707,622
Cash received from Food Services		7,364
Cash received from Other Sources		2,662
Cash Payments to Suppliers for Goods and Services		(259,736)
Cash Payments to Employees for Services		(356,446)
Cash Payments for Employee Benefits		(58,811)
Cash Payments for Other Operating Uses		(8,671)
Net Cash Provided by Operating Activities		33,984

Cash Flows from Noncapital Financing Activities

Federal Sources		215,975
Miscellaneous Non-Operating Revenue		65
Net Cash Provided by Noncapital Financing Activities		216,040

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions		(72,816)
Net Cash Used for Capital and Related Financing Activities		(72,816)

Cash Flows from Investing Activities

Cash Received from Interest on Investments		1,986
Net Cash Provided by Investing Activities		1,986

Net Increase in Cash and Cash Equivalents 179,194

Equity in Pooled Cash at Beginning of Year		0
Equity in Pooled Cash at End of Year		\$ 179,194

**Reconciliation of Operating (Loss) to Net
Cash Provided by Operating Activities**

Operating Loss	\$	(123,997)
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Adjustments to Reconcile Operating (Loss) to Net

Cash Provided by Operating Activities		
Depreciation		4,774
Changes in Assets and Liabilities:		
(Increase) in Prepaid Items		(967)
Increase in Accounts Payable		65,516
Increase in Accrued Wages Payable		58,773
Increase in Compensated Absences Payable		5,564
Increase in Intergovernmental Payable		16,787
Increase in State Pension Payable		7,534
Total Adjustments		157,981
Net Cash Provided by Operating Activities		\$ 33,984

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

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**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

1. DESCRIPTION OF THE ENTITY

W.C. Cupe Community School (the School) is a State nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. 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.

Using direct instruction approach in teaching the students, the school's mission is its commitment to the academic and social development of the students. Scholastic subjects such as math, language, reading, and science are provided to students grades K through 3. The School plans to expand to grades 4, 5, and 6 in 2003 and 2004.

The School, which is part of the State's education program, is independent of any school district and is non sectarian its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio State Board of Education (the Sponsor) for a period of five years effective for the 2001-2002 academic school year. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Governing Board. The Governing 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 Governing Board controls the school's one instructional/support facility staffed by 12 non certified and 8 certificated full-time teaching personnel who provide services to 125 students.

The School has entered into a service agreement with the Lucas County Educational Service Center, Lucas County, Ohio to provide certain financial and accounting services and the Treasurer of Lucas County ESC serves as the Chief Financial Officer of the School (See Note 13).

The Board of Trustees has entered into a management contract with Achievement Education Services, Inc. on September 20, 2001, to provide consulting services including program development, building and grounds maintenance, curriculum research and development, marketing and publicity, testing program and analysis, developing annual report, grant preparation, and technology planning and management. In exchange for its services, Achievement Education Services, Inc. receives a management fee of \$45,000 a year. During fiscal year 2002, the School paid \$5,000 with the balance reflected as a liability on the financial statements.

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 a governmental nonprofit organization. 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.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

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, 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.

B. Measurement Focus/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.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Equity in Pooled Cash

All monies received by the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the School's name. Monies for all funds of the School are maintained in these accounts or temporarily used to purchase short-term investments. For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value on the date received. The School maintains a capitalization policy of one thousand dollars. The School 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.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fixed Assets and Depreciation (Continued)

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over a useful life of fifteen years. Buildings are depreciated over a useful life of forty years.

F. Intergovernmental Revenues (Non Exchange Transactions)

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures 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 \$50,000 to offset start-up costs of the School in State funds. Another \$150,000 in federal monies was also received during the fiscal year.

Amounts awarded under federal grants and entitlements for the 2002 fiscal year totaled \$259,322.

G. Prepaid items

Prepayments and deferrals represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. EQUITY IN POOLED CASH

The School's cash is maintained in a separate account with their fiscal agent. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 2002 was as follows:

Demand Deposits	\$ 155,563
Petty Cash	<u>23,631</u>
Total	<u>\$ 179,194</u>

Deposits: The School's bank balances were \$188,109 and of these balances \$123,631 are insured by the Federal Depository Insurance Corporation, while the remainder is uninsured and uncollateralized.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

4. RECEIVABLES

Receivables at June 30, 2002, consisted of intergovernmental (e.g. state and federal) receivables totaling \$43,347. Due to the stable condition of State programs and the current year guarantee of federal funds all intergovernmental receivables are considered to be collectible in full.

5. FIXED ASSETS

The following is a summary of fixed assets at June 30, 2002:

<u>Classification</u>	
Modulars	\$45,000
Furniture and Equipment	13,459
Leasehold Improvements	<u>14,357</u>
Less: Accumulated Depreciation	<u>(4,774)</u>
Total Fixed Assets	<u>\$68,042</u>

The School owns no real estate, but leases a facility located at 1132 Windsor Avenue, Columbus, Ohio.

6. RISK MANAGEMENT

A. 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 State Farm Insurance for its insurance coverage as follows:

Buildings	\$ 1,341,600
Business Personal Property	93,700
Business Liability	1,000,000
Medical Payments	5,000
Products-Completed Operations	2,000,000
General Aggregate	2,000,000

B. Worker's Compensation

The School pays the State Worker's 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.

C. Employees Medical, Dental and Vision Benefits

The School has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full time employees who work 25 or more hours per week.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS

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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, standalone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and Cupe is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being use to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the year ended June 30, 2002 was \$6,523. The unpaid contribution for fiscal year 2002, in the amount of \$1,812, is recorded as a payable to State Pension Systems.

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 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 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligations to STRS for the year ended June 30, 2002 was \$19,152. The unpaid contribution for fiscal year 2002, in the amount of \$5,722 is recorded as a payable to State Pension Systems.

8. POST-EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired noncertificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligation 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.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

8. POST-EMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has 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 law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year June 30, 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$9,072 for the fiscal year ended June 30, 2002.

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

For SERS, coverage is made available to service retirees with ten or more 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.

For this fiscal period, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay had been established at \$12,400. For the School, the amount to fund health care benefits, including surcharge, was \$21,720 for the fiscal year ended June 30, 2002.

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 Retirement System's net assets available or payment of health care benefits is \$315.7 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000 (the latest information available).

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining paid time off is derived from policies and procedures approved by the Board of Trustees. Certain employees had paid time off earned in fiscal year 2002 that had not been used at year end. Unused paid time off is shown as a current liability.

B. Employee Medical, Dental and Vision Benefits

The School has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full time employees who work 25 or more hours per week. The School pays a portion of the monthly premiums for all selected coverage (medical, dental and/or vision).

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

10. 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.

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. In November, 2001 the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

11. CONTINGENCIES

A. 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.

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

C. Full-Time Equivalency Reviews

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the school. 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 the state funding being adjusted. The review resulted in the discovery of an underpayment to the School in the amount of \$400. This amount is reflected as Intergovernmental Receivable and is included in State foundation revenue.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

12. FISCAL AGENT

The service agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to the School from the State of Ohio. The total contract payment was \$8,120. \$3,692 was paid during the year, and the balance, \$4,428, is recorded in accounts payable.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the School:

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

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

13. PURCHASED SERVICES

For the period July 1, 2001 through June 30, 2002, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	
Management Fees	\$45,000
Educational Consulting	66,364
Legal Services	4,065
Architectual Services	3,202
Building and Grounds	2,383
Lease of Copier/Computers	1,703
Copies	7,560
Electrical Wiring	4,072
Other Professional and Technical Services	<u>9,617</u>
Total Professional and Technical Service	143,966
Property Services	
Lease Payments to Church	12,000
Lease Payments to GFC Leasing	8,528
Architectural Service	9,217
Other Property Services	<u>7,018</u>
Total Property Services	36,763
Travel Mileage/Meeting Expense	5,430
Communications	
Advertising	15,070
Other Communications	<u>3,757</u>
Total Communications	18,827
Utilities	9,245
Contracted Craft or Trade Services	2,335
Other Purchased Services	<u>23,304</u>
Total Purchased Services	<u>\$239,870</u>

14. OPERATING LEASES

The School entered into a lease agreement with Greater Liberty Temple Church of God in Christ (the Church) for use of space on property located at 1132 Windsor Avenue. The terms of the lease commenced July 2001 and will terminate June 2006. The lease has no option to renew. Under the lease agreement, rent charges are \$1,000 a month. Rent expense for the fiscal year 2002 was \$12,000.

The School also makes payments to GFC Leasing for a lease on Canon computers. This lease was under the ownership of the Church, however, payments for such equipment transferred over to the school with no formal transfer of property. Payments under the lease agreement are \$913 per month, and the lease expense was \$8,528 for fiscal year 2002.

Another agreement is held by the School with Storage USA 438 for use of a storage unit during the year. The agreement is setup on a month to month basis and can be terminated anytime.

**W.C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY**

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

15. RELATED PARTY TRANSACTIONS

Two of the founding board members of the School, Estella and Robert Stephens, also serve on the Board of Directors of the Church. The School received and repaid \$32,000 to the Church for start up expenses. All transactions were approved by the Board and the Church with Estella Stephens authorizing the purchases on the Church's behalf.



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

The W.C. Cupe Community School
Franklin County
1132 Windsor Avenue
Columbus, Ohio 43211

We have audited the financial statements of the W.C. Cupe Community School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 4, 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated November 4, 2002.

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 weakness. 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 November 4, 2002.

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This report is intended for the information and use of the 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

JIM PETRO
Auditor of State

November 4, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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W.C. CUPE COMMUNITY SCHOOL

FRANKLIN 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 4, 2003**