WESTPARK COMMUNITY SCHOOL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

WESTPARK COMMUNITY SCHOOL
CUYAHOGA COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Westpark Community School
Cuyahoga County
16210 Lorain Road
Cleveland, Ohio 44035

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Westpark Community School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Westpark Community School, Cuyahoga County, Ohio, as of June 30, 2006 and the changes in financial position 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 March 22, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 22, 2007

The discussion and analysis of Westpark Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2006 include the following:

- In total, net assets increased $420,250, which represents a 67.2% increase from 2005. This increase is due primarily to increased enrollment resulting in increased state funding and federal subsidies and improved operating efficiencies.

- Total assets increased $401,808, which represents a 24.0% increase from 2005. This increase is due to an increase in the year end cash of $263,441, an increase in current assets of $88,752 and an increase in net capital assets of $49,615. The cash balance increase is due primarily to enrollment increases and improved operating efficiencies due to the growth of the school.

- Liabilities decreased $18,442, which represents a 1.8% decrease from 2005. Mortgages payable decreased by $71,104, accounts payable increased by $18,212, and other current liabilities (due mainly to a foundation overpayment in 2006) increased by $34,450.

- Operating revenues increased by $336,835 which represents a 21.6% increase from 2005. The majority of this increase ($230,282) is due to increased enrollment resulting in increased state funding. Also, $106,553 is from other revenues (mainly rental income and service income).

- Expenses increased by $221,349, which represents a 14.6% increase from 2005. Operating expense increases are due to services delivered for the increased enrollment, annual increases in service costs and additional services paid with non-operating revenues as well as a one-time $20,854 correction to accumulated depreciation during the year..

- Non-operating revenues increased by $58,527, which represents a 30.0% increase from 2005. This increase is due mostly to increased Federal and State Grants in the amount of $54,143 and an increase in interest earned offset by a decrease in private grants.

Using this Financial Report

This report consists of three parts, the Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets looks at how well the school has performed financially from inception through June 30, 2006. This statement includes all of the assets, liabilities and equity balances using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary of the School's Statement of Net Assets for fiscal years ended June 30, 2006 and 2005.

	2006	2005
Assets		
Cash	$ 805,272	$ 541,831
Other Current Assets	90,897	2,145
Capital Assets	1,177,215	1,127,600
Total Assets	2,073,384	1,671,576
Liabilities		
Current Liabilities	106,957	54,295
Long-Term Liabilities	920,712	991,816
Total Liabilities	1,027,669	1,046,111
Net Assets		
Net Assets	1,045,715	625,465
Total Liabilities and Net Assets	$2,073,384	$1,671,576

Net Assets increased $420,250, due primarily to increased enrollment. For assets, cash increased $263,441; due from other governments increased $40,485; accounts receivable increased $48,267 and net capital assets increased $49,615 from 2005. For liabilities, accounts payable increased $18,212; due to other governments increased $35,356 (primarily a foundation overpayment); accrued wages and benefits increased $8,452; interest payable decreased $366; deferred revenues decreased $8,992 and mortgage notes payable decreased $71,104 from 2005.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets reports operating and non-operating activities for the fiscal year ended June 30, 2006.

The following schedule provides a summary of the School's Statement of Revenues, Expenses and Changes in Net Assets for fiscal years ended June 30, 2006 and 2005.

	2006	2005
Revenues		
Foundation and Assistance Revenues	$1,741,242	$1,510,960
Other Operating Revenues	157,423	50,870
Operating Revenues	1,898,665	1,561,830
Interest	10,542	3,560
Federal and State Grants	233,624	179,481
Private Grants and Contributions	9,751	12,349
Non-Operating Revenues	253,917	195,390
Total Revenues	2,152,582	1,757,220
Expenses		
Salaries	699,476	602,251
Fringe Benefits	194,063	167,824
Purchased Services	580,037	482,570
Materials and Supplies	118,115	94,205
Capital Outlay	17,481	2,646
Depreciation	24,375	58,350
Other Operating Expenses	98,785	103,137
Total Expenses	1,732,332	1,510,983
Net Income	420,250	246,237
Net Assets at Beginning of Year	625,465	379,228
Net Assets at End of Year	$1,045,715	$ 625,465

Net Assets increased in both fiscal years ending June 30, 2005 and 2006. This is due primarily to increasing revenues from increasing enrollment. Although certain expenditures such as salaries will increase as the number of classes increases other costs remain fixed such as facilities costs resulting in more efficient operations. Additionally, grants have been received to supplement various educational programs and purchase educational equipment.

The most significant increases in revenues from 2005 to 2006 are Foundation and Poverty Based Assistance funds increased $230,282 due to enrollment increases and increases in formula amounts. Federal and State Grants increased $54,143 due mainly to increased title allocations and interest income increased $6,982 due to short-term investment in certificates of deposit. These increases were offset by a $2,598 reduction in Private Grants and Contributions.

Most areas of expenses increased from 2005 to 2006. Salaries and Fringe Benefits increased $123,464 due to additional staffing, annual increases and hiring staff previously obtained as a purchased service. Purchased services increased $97,467 due to additional pupil support services, administrative services and occupancy costs. Materials and Supplies increased $23,910 and Capital Outlay increased $14,835 due to purchasing text books, classroom supplies, furniture and equipment for added classrooms. Depreciation decreased $33,975 as a direct result of having fully depreciated equipment at the end of fiscal year 2005 offset by the purchase of furniture and equipment and additional building improvements and a one-time $20,854 correction to accumulated depreciation. Other Operating Expenses decreased $4,352 due to mortgage debt service, insurance premiums and property taxes.

Capital Assets

As of June 30, 2006, the School had $1,177,215 invested in land (not being depreciated), buildings (including mortgage loan fees), building improvements, computers and office equipment, furniture and equipment, net of depreciation where applicable. This is a $49,615 increase from June 30, 2005.

The following schedule provides a summary of the School's Capital Assets as of June 30, 2006 and 2005.

	2006	2005
Capital Assets (net of depreciation where applicable)		
Land (not depreciated)	$ 322,900	$ 322,900
Buildings (including Mortgage Loan Fees)	734,152	785,238
Building Improvements	96,660	47,593
Computers and Office Equipment	11,021	75,083
Furniture and Equipment	12,482	16,505
Net Capital Assets	$1,177,215	$1,147,319

For more information on capital assets see the Notes to the Financial Statements.

Debt Service

On November 12, 2003 the School purchased the building in which it operates. Financing of the purchase was accomplished through two mortgages. The first mortgage is held by US Bank National Association with a face value of $825,000 for a term of fifteen years and an interest rate of 6.49% per annum. This mortgage is guaranteed by the Ohio School Facilities Commission for an amount up to $701,250. The second mortgage is held by First Federal Savings & Loan Association of Lakewood with a face value of $270,000 for a term of seven years and an interest rate of 7.00% per annum. The outstanding principal balances as of June 30, 2006 are $735,392 and $185,320 respectively.

For more information on debt service see the Notes to the Financial Statements.

Current Financial Issues

Westpark Community School opened in the fall of 2001. In its fifth year of operations it has grown from 72 students, eight teaching staff members and expenses of $517,314 to a total of 249 students, 19 teaching staff members and expenses of $1,732,332 During this time we have also been able to purchase our own educational facility. As the School matures to full enrollment we strive to maintain the high level of services we currently offer, to provide a strong educational product to our students and families and to maintain the reputation we have developed during these initial years.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the School's finances and to show the School's accountability for the monies it receives. If you have any questions about this report or need additional information please contact Thomas F. Babb, CPA, Treasurer at Constellation Community Schools, 3326 Broadview Road, Cleveland, Ohio 44109-3316; by calling 216.635.1881; by faxing 216.635.1883 or by e-mail to babb.thomas@constellationschools.com.

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Westpark Community School
Cuyahoga County
Statement of Net Assets
As of June 30, 2006

Assets:	
Current Assets:	
Cash	$805,272
Due from Other Governments	42,130
Accounts Receivable	48,767
Total Current Assets	896,169
Non-Current Assets:	
Capital Assets (Net of Accumulated Depreciation)	1,177,215
Total Assets	$2,073,384
Liabilities:	
Current Liabilities:	
Accounts Payable	$39,304
Due Other Governments	37,034
Accrued Wages and Benefits	11,900
Interest Payable	4,878
Deferred Revenue	13,841
Total Current Liabilities	106,957
Long Term Liabilities:	
Mortgage Notes Payable	920,712
Total Liabilities	1,027,669
Net Assets:	
Investment in capital assets, net of related debt	256,503
Unrestricted	789,212
Total Net Assets	$1,045,715

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

Westpark Community School
Cuyahoga County
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2006

Operating Revenues:	
Foundation and Poverty Based Assistance Revenues	$1,741,242
Other Operating Revenues	157,423
Total Operating Revenues	1,898,665
Operating Expenses:	
Salaries	699,476
Fringe Benefits	194,063
Purchased Services	580,037
Materials and Supplies	118,115
Capital Outlay	17,481
Depreciation	24,375
Other Operating Expenses	98,785
Total Operating Expenses	1,732,332
Operating Income	166,333
Non-Operating Revenues:	
Interest	10,542
Federal and State Grants	233,624
Private Grants and Contributions	9,751
Total Non-Operating Revenues	253,917
Net Income	420,250
Net Assets at Beginning of the Year	625,465
Net Assets at End of Year	$1,045,715

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

Westpark Community School
Cuyahoga County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

Increase (Decrease) in Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,761,689
Cash Payments to Suppliers for Goods and Services	(995,436)
Cash Payments to Employees for Services	(699,476)
Other Operating Revenues	100,163
Net Cash Provided by Operating Activities	166,940
Cash Flows from Noncapital Financing Activities:	
Private Grants and Contributions Received	9,751
Federal and State Grants Received	221,301
Net Cash Provided by Noncapital Financing Activities	231,052
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(73,989)
Mortgage Loan Payments	(71,104)
Net Cash Used for Capital and Related Financing Activities	(145,093)
Cash Flows from Investing Activities:	
Interest	10,542
Net Cash Provided by Investing Activities	10,542
Net Increase in Cash	263,441
Cash at Beginning of Year	541,831
Cash at End of Year	$805,272

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

Westpark Community School
Cuyahoga County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006
(Continued)

Reconciliation of Operating Income to Net Cash Provided for Operating Activities:

Operating Income	$166,333
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	24,375
Changes in Assets and Liabilities:	
(Increase) in Due from Other Governments	(28,163)
(Increase) in Accounts Receivable	(48,267)
Increase in Accounts Payable	18,212
Increase in Due Other Governments	35,356
Increase in Accrued Wages and Benefits	8,452
(Decrease) in Interest Payable	(366)
(Decrease) in Deferred Revenue	(8,992)
Total Adjustments	607
Net Cash Provided by Operating Activities	$166,940

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

I. Description of the School and Reporting Entity

Westpark Community School (WCS) is a nonprofit corporation established August 25, 2000 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under § 501(c)(3) of the Internal Revenue Code. On November 7, 2001, WCS obtained tax-exempt status with the Internal Revenue Service 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 WCS' tax-exempt status. WCS, which is part of Ohio's education program, is independent of any school district. WCS may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of WCS.

WCS was approved for operation under a contract between the Governing Authority and the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2001 and terminating on June 30, 2006. On October 16, 2004 WCS entered into a contract with Lucas County Educational Service Center (LCESC) to have LCESC replace the Ohio Department of Education as their sponsor as required by Sub. HB 364. Under the terms of the contract LCESC will provide sponsorship services for a fee. 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 expiration. See Note XIII for further discussion of the sponsor services. The Governing Authority formed an Ohio non-profit corporation, on September 17, 1999 under the name Constellation Community Schools (management company).

WCS operates under a five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. WCS controls one instructional facility staffed by nineteen certificated full time teaching personnel who provide services to 249 students.

WCS entered into an agreement with CCS to provide management services for the fiscal year. See footnote XIII for additional information regarding the management company. The board members of WCS were also board members of CCS until June 15, 2006 at which time a separate CCS Board was formed. WCS Board members are also Board members of Old Brooklyn Community School, Parma Community School, Elyria Community School, Lorain Community School, Mansfield Community School, Puritas Community School, Stockyard Community School, Madison Community School, Greater Cleveland Academy for Gifted Students, Lorain Academy for Gifted Students, Lorain Community Middle School, Old Brooklyn Community Middle School, Westpark Community Middle School and Outreach Academy for Children with Disabilities.

II. Summary of Significant Accounting Policies

The financial statements of WCS 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. WCS 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 WCS' accounting policies are described below.

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. WCS prepares financial statements using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which WCS receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when the use is first permitted; matching requirements, in which WCS must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to WCS on a reimbursement basis. Expenses are recognized at the time they are incurred.

II. Summary of Significant Accounting Policies (Continued)

2. Measurement Focus and Basis of Accounting (Continued)

For fiscal year 2006, WCS has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries," GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section," and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 44 is to improve the understandability and usefulness of the information that State and local governments present as supplementary information in the statistical section.

GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statements Nos. 42 and 47 did not materially affect the presentation of the financial statements for the school and GASB Statement No. 44 does not apply to the school.

3. Cash

All monies received by WCS are deposited in demand deposit accounts.

4. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391 WCS prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. WCS will from time to time adopt budget revisions as necessary.

5. Due from Other Governments and Accounts Receivable

Moneys due WCS for the year ended June 30, 2006 are recorded as Due from Other Governments and Accounts Receivable. A current asset for the receivable amount is recorded at the time of the event causing the moneys to be due.

II. Summary of Significant Accounting Policies (Continued)

6. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. All items with a useful life of one year or greater and a value of $500 or more 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.

Mortgage Fees have been capitalized at cost and are being amortized over the term of the mortgage for which they have been incurred.

Depreciation of buildings, building improvements, computers, office equipment and furniture and equipment is computed using the straight-line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Estimated useful lives are as follows:

Capital Asset Classification	**Years**
Computers and Office Equipment	3
Furniture, Equipment and Materials	10
Building	40
Building Improvements	10
Mortgage Loan Fees	15

7. Intergovernmental Revenues

WCS currently participates in the State Foundation Program and the State Poverty Based Assistance Program and the Federal Lunch Reimbursement Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Amounts awarded under the above named programs for the 2006 school year totaled $1,974,866.

II. Summary of Significant Accounting Policies (Continued)

8. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar, therefore, WCS does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one and one-quarter day per month and can be accrued up to a maximum amount of one hundred twenty days. WCS will accept the transfer of sick days from another school district up to the maximum accrual amount. No financial accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

9. Use of Estimates

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

10. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The deferred revenue for WCS consists of material and fees received in the current year which pertain to the next school year.

III. Deposits

At fiscal year end June 30, 2006, the carrying amount of WCS' deposits totaled $805,272 and its bank balance was $831,660. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, $647,620 of the bank balance was exposed to custodial risk as discussed below, while $184,040 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, WCS will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of WCS.

IV. Capital Assets

A summary of capital assets at June 30, 2006 follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Capital Assets Not Being Depreciated:				
Land	$322,900	$0	$0	$322,900
Capital Assets Being Depreciated:				
Building	785,238	0	0	785,238
Building Improvements	47,593	61,673	0	109,266
Computers/Office Equipment	75,083	10,571	0	85,654
Furniture, Equipment & Materials	16,505	1,745	0	18,250
Total Capital Assets Being Depreciated:	924,419	73,989	0	998,408
Less Accumulated Depreciation:				
Building	(44,093)	(6,993)	0	(51,086)
Building Improvements	(7,090)	(5,516)	0	(12,606)
Computers & Office Equipment	(64,392)	(10,241)	0	(74,633)
Furniture, Equipment & Materials	(4,144)	(1,624)	0	(5,768)
Total Accumulated Depreciation:	(119,719)	(24,374)	0	(144,093)
Total Capital Assets Being Depreciated, Net	804,700	49,615	0	854,315
Total Capital Assets Net	$1,127,600	$49,615	$0	$1,177,215

V. Purchased Services

Purchased Services include the following:

Instruction	$57,537
Pupil Support Services	95,766
Staff Development & Support	22,419
Administrative	243,772
Occupancy Costs	110,594
Food Services	49,949
Total	$580,037

VI. Washington School Purchase

On November 12, 2003, WCS purchased the former Washington School building it occupied at 16210 Lorain Avenue, Cleveland. The purchase price of $1,100,000, along with other purchase costs totaling $4,674, have been capitalized and will be depreciated over a forty year period. All operations of the school are located at this site.

VII. Mortgage Notes Payable

On November 6, 2003, WCS entered into two mortgage agreements relating to the purchase of the property at 16210 Lorain Avenue (see note VI).

A first mortgage note in the amount of $825,000 is held by US Bank National Association (US Bank). The note is for a term of fifteen years with an interest rate of 6.49 percent per annum. The Ohio School Facilities Commission has guaranteed the first mortgage up to $701,250.

A second mortgage note in the amount of $270,000 is held by First Federal Savings & Loan Association of Lakewood (First Federal) and is subordinate to the first mortgage. The note is for a term of seven years with an interest rate of 7.00 percent per annum.

During fiscal year 2006 principal was reduced by $36,502 for US Bank and $34,602 for First Federal. Interest expense totaled $49,486 for US Bank and $14,130 for First Federal. As of June 30, 2006 outstanding principal balances are $735,392 for the first mortgage and $185,320 for the second mortgage. Interest payable totaling $3,977 due US Bank and $901 due First Federal has been recorded as a current liability as of June 30, 2006.

Mortgage Notes Payable (Continued)

Principal payments due on the mortgage notes are as follows:

Year	US Bank	First Federal
2007	$ 38,947	$ 37,103
2008	41,466	39,785
2009	44,401	42,662
2010	47,412	45,746
2011	50,628	20,024
2012 - 2016	384,360	0
2017 - 2019	128,178	0
Total	$735,392	$185,320

VIII. Risk Management

1. Property and Liability Insurance

WCS 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 2006, WCS contracted with Cincinnati Insurance Company for all of its' insurance.

General liability is covered at $2,000,000 single occurrence limit and $4,000,000 aggregated. Hired and Non-Owned Vehicles are covered at $500,000 combined single limit of liability. Other coverage includes School Leaders Errors & Omissions, Employee Crime, Sexual Abuse and Misconduct, Electronic Data Processing and Business Interruption.

2. Workers' Compensation

WCS makes premium payments to the Ohio Worker's Compensation System for employee injury coverage. As of June 30, 2006 there have been no claims filed by WCS employees with the Ohio Worker's Compensation System.

3. Employee Medical, Dental, and Life Benefits

WCS provides medical, dental and life insurance benefits to all full time employees. Employees participate in premium payments through pretax payroll deductions. During the current fiscal year the cost to WCS for medical insurance benefits was $76,216.

IX. Defined Benefit Pension Plans

1. School Employees Retirement System

WCS contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 by calling (800)878-5853 of by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and WCS is required to contribute an actuarially determined rate. The current rate for WCS is 14 percent of annual covered payroll. A portion of WCS' contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion 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. WCS' required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were $5,427, $3,979 and $3,445. For fiscal year 2006, all required contributions have been made.

2. State Teachers Retirement System

WCS participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614)227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

IX. Defined Benefit Pension Plans (Continued)

2. State Teachers Retirement System Continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary. WCS was required to contribute 14 percent, 13 percent was the portion used to fund pension obligation. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

IX. Defined Benefit Pension Plans (Continued)

2. State Teachers Retirement System Continued)

WCS' required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005 and 2004 were $84,263, $71,962 and $56,869. For fiscal year 2006, WCS contributions totaling $11,656 were overpaid at year end and are reflected in Due from Other Governments in the accompanying financial statements. All other required contributions have been made.

X. Post-Employment Benefits

WCS provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For WCS, this amount equaled $7,261 during fiscal 2006.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 the balance in the Fund was $3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were $254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premiums for health care. The portion is based on years of service, Medicare eligibility and retirement status.

X. Post-Employment Benefits (Continued)

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For WCS, the amount contributed to fund health care benefits, including surcharge, during the 2006 fiscal year equaled $2,527.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level of the health care fund. The target level of the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005, were $178,221,113. At June 30, 2005, SERS had net assets available for health care benefits of $267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

XI. 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…".

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

XII. Contingencies

1. Grants

WCS received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of WCS. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of WCS at June 30, 2006.

XII. Contingencies (Continued)

2. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on WCS is not presently determinable.

3. 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. Adjustments to the state funding received during fiscal year 2006 are reflected in the financial statements.

XIII. Sponsorship and Management Agreement

WCS entered into an agreement with Lucas County Educational Service Center (LCESC) to provide sponsorship and oversight services as required by law. The agreement is effective October 16, 2003. Sponsorship fees are calculated as 1% of state funds received by WCS, from the State of Ohio. The total amount due from WCS for fiscal year 2006 was $17,619 of which $1,131 was outstanding as of June 30, 2006.

WCS entered into an agreement with Constellation Community Schools (CCS) to provide legal, financial, and business management services for the fiscal year 2006. The agreement was for a period of one year, effective July 1, 2005. Management fees are calculated as 11% of the Fiscal Year 2006 Foundation payment received by WCS, as reported in the Monthly Community School Foundation Report. The total amount due from WCS for the fiscal year ending June 30, 2006 was $191,537 of which $2,147 was overpaid prior to June 30, 2006 and has been credited to the next fiscal year.

In addition WCS is participating in a payroll bonus reserve established through CCS. Payroll bonus reserve fees are calculated as 1% of the Fiscal Year 2006 Foundation payment received by WCS, as reported in the Monthly Community School Foundation Report. The total amount due from WCS for the fiscal year ending June 30, 2006 was $17,415 of which $165 was outstanding as of June 30, 2006.

XIV. Related Parties

The members of the WCS Board of Trustees were also members of Constellation Community Schools until June 15, 2006 at which time a separate CCS Board was formed. WCS contracts with CCS for legal, financial and business management services.

WCS Board members are also Board members of Old Brooklyn Community School, Parma Community School, Elyria Community School, Lorain Community School, Mansfield Community School, Puritas Community School, Stockyard Community School, Madison Community School, Greater Cleveland Academy for Gifted Students, Lorain Academy for Gifted Students, Lorain Community Middle School, Old Brooklyn Community Middle School, Westpark Community Middle School and Outreach Academy for Children with Disabilities.

Effective January 2, 2006 Westpark Community Middle School (WCMS) began operations located in the building owned and occupied by WCS. WCS has charged rent and personnel costs to LCMS totaling $20,400 and $43,952 respectively. As of June 30, 2006 the personnel costs of $43,952 remained outstanding.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Westpark Community School
Cuyahoga County
16210 Lorain Road
Cleveland, Ohio 44035

To the Board of Trustees:

We have audited the basic financial statements of Westpark Community School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 22, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated March 22, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School's management dated March 22, 2007, we reported another matter related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 22, 2007

Mary Taylor, CPA
Auditor of State

WESTPARK 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
MAY 29, 2007

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