



**THE TERESA A. DOWD SCHOOL
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

THE TERESA A. DOWD SCHOOL
FRANKLIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

The Teresa A. Dowd School
Franklin County
1415 Oak Street
Columbus, Ohio 43205

We have audited the accompanying Balance Sheet of the Teresa A. Dowd School, Franklin County, (the School) as of June 30, 2001, and 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 Teresa A. Dowd School, Franklin County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the District adopted *Governmental Accounting Standards Board Statements 33 and 36* as of and for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

November 2, 2001

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**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2001**

Assets

Current Assets

Cash and Cash Equivalents	
With Fiscal Agents	\$190,523
Prepaid Items	2,623
Intergovernmental Receivables	276
Accounts Receivable	5,245
Total Current Assets	<u>\$198,667</u>

Non-Current Assets

Fixed Assets (Net, where applicable, of Accumulated Depreciation)	<u>31,032</u>
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Total Assets	<u><u>\$229,699</u></u>
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Liabilities and Fund Equity

Current Liabilities

Accounts Payable	\$30,285
Accrued Wages Payable	27,562
Intergovernmental Payable	4,293
Total Current Liabilities	<u>62,140</u>

Equity

Retained Earnings	167,559
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Total Equity	<u>167,559</u>
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Total Liabilities and Equity	<u><u>\$229,699</u></u>
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The accompanying notes are an integral part of the financial statements

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2001**

Operating Revenues	
Foundation Payments	\$281,985
Disadvantaged Pupil Impact Aid	119,801
Other Operating Revenues	<u>3,444</u>
Total Operating Revenues	<u>405,230</u>
Operating Expenses	
Salaries	373,072
Fringe Benefits	74,374
Purchased Services	150,871
Materials and Supplies	15,445
Depreciation	9,723
Other Operating Expenses	<u>6,600</u>
Total Operating Expenses	<u>630,085</u>
Operating Loss	<u>(224,855)</u>
Non-Operating Revenues	
State Restricted Grants	23,663
Federal Restricted Grants	80,437
Interest Income	2,508
Contributions and Donations	193,885
Other Non-Operating Revenue	<u>40</u>
Total Non-Operating Revenues	<u>300,533</u>
Net Income	75,678
Retained Earnings, at Beginning of Year	<u>91,881</u>
Retained Earnings, at End of Year	<u>\$167,559</u>

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

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

Cash Flows used for Operating Activities

Cash received from State Foundation/Disadvantaged Pupil Impact Aid	\$ 401,786
Cash received from Other Sources	3,444
Cash Payments to Suppliers for Goods and Services	(136,655)
Cash Payments to Employees for Services	(369,547)
Cash Payments for Employee Benefits	(76,722)
Cash Payments for Other Operating Uses	<u>(7,538)</u>

Net Cash Used for Operating Activities (185,232)

Cash Flows provided by Noncapital Financing Activities

State Restricted Grants	23,663
Federal Restricted Grants	80,161
Contributions and Donations	188,640
Miscellaneous	<u>40</u>

Net Cash provided by Noncapital Financing Activities 292,504

Cash Flows used for Capital and Related Financing Activities

Payments for Capital Acquisitions (9,292)

Net Cash Used for Capital and Related Financing Activities (9,292)

Cash Flows provided by Investing Activities

Cash Received from Interest on Investments 2,508

Net Cash Provided by Investing Activities 2,508

Net Increase in Cash and Cash Equivalents 100,488

Cash and Cash Equivalents at Beginning of Period 90,035

Cash and Cash Equivalents at End of Year \$ 190,523

Reconciliation of Operating Loss to Net

Cash used for Operating Activities

Operating Loss \$ (224,855)

Adjustments to Reconcile Operating Loss to Net

Cash used for Operating Activities

Depreciation 9,723

Changes in Assets and Liabilities

Increase in Accounts Receivable (5,245)

Decrease in Prepaid Items 642

Increase in Intergovernmental Receivable (276)

Increase in Accounts Payable 25,449

Increase in Accrued Wages 3,525

Decrease in Intergovernmental Payable (787)

Increase in Deferred Revenue 6,592

Total Adjustments 39,623

Net Cash Used for Operating Activities \$ (185,232)

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

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**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE ENTITY

The Teresa A. Dowd Community School (Dowd) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Dowd 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 Dowd's tax-exempt status. Dowd's objective is to provide the individual attention each child needs to experience academic success, adjust socially, and develop self-esteem for children in grades K - 5 whose families, because of personal or employment difficulties are in transition or find themselves without permanent housing. Dowd, 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. Dowd may acquire facilities as needed and contract for any services necessary for the operation of the school.

Dowd was approved for operation under a contract with the Ohio State Board of Education (the sponsor) for a period of five years commencing August 18, 1999. The Sponsor is responsible for evaluating the performance of Dowd and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Dowd operates under the direction of a thirteen-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 Dowd's one instructional/support facility staffed by 14 non-certified and 6 certificated full time teaching personnel who provide services to 63 students.

Dowd has entered into a service agreement with the Lucas County Educational Service Center, Lucas County, Ohio to provide certain financial and accounting services and serves as the Fiscal Agent of Dowd (see Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Dowd have been prepared in conformity with generally accepted accounting principles (GAAP) 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. Dowd 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 Dowd's accounting policies are described below:

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 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.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Equity (i.e., net total assets) is segregated into retained earnings. 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 Dowd's contract with its Sponsor. The contract between Dowd and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5 year forecast which is to be updated on an annual basis.

D. Equity in Pooled Cash and Investments

All monies received by Dowd are accounted for by Dowd's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate accounts in Dowd's name. Monies for all funds of Dowd 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 Dowd 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. Dowd maintains a capitalization policy of two hundred dollars. Dowd does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Nonexchange Transactions)

Dowd currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received 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 all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which Dowd must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to Dowd on a reimbursement basis.

Dowd also participated in the Federal Charter School Grant Program Phase III through the Ohio Department of Education. Under this program, Dowd was awarded \$ 50,000 to offset start-up cost of the school. Revenues received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for 2001 school year totaled \$80,437.

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 benefitting 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. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, Dowd has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues." At June 30, 2000, the retained earnings were restated from \$58,065 to \$91,881.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. CASH AND CASH EQUIVALENTS

Dowd'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, 2001 was as follows:

Demand Deposits	\$ 189,593
Petty Cash	<u>930</u>
Total deposits	<u><u>\$190,523</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool. While Dowd's carrying amount for deposits was \$190,523, the bank balances were \$203,048.

5. FIXED ASSETS

The following is a summary of fixed assets at year end:

<u>Classification</u>	
Furniture & Equipment	41,524
Leasehold Improvements	<u>7,096</u>
Total	48,620
Less Accumulated Depreciation	<u>(17,588)</u>
Net Fixed Assets	<u><u>\$31,032</u></u>

6. RECEIVABLES

Receivables at June 30, 2001, consisted of accounts and intergovernmental (e.g. federal grant) receivables. Accounts receivables are considered collectible in full. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Dowd 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, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and Dowd is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. Dowd's contributions to SERS for the years ending June 30, 2001 and 2000 were \$7,240 and 4,422; 90.77 percent has been contributed for fiscal year 2001 and 100 percent for fiscal year 2000. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the year ended June 30, 2001, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The unpaid contribution for fiscal year 2001, in the amount of \$1,818 is recorded as a liability.

B. State Teachers Retirement System

Dowd 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 public available financial report that includes financial statements and required supplementary information for STRS. The 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.

STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by used a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years' credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

Plan members are required to contribute 9.3 percent of their annual covered salary and Dowd is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Dowd's contributions to STRS for the years ended June 30, 2001 and 2000 were \$25,852 and \$10,047, respectively; 102.20 percent has been contributed for fiscal year 2001 and 100 percent for fiscal year 2000. The overpaid contribution for fiscal year 2001, in the amount of \$763 is recorded as a prepaid item.

C. Social Security Tax

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, 2001, Dowd has no employees or members of the governing board which contribute to Social Security.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) and School Employees Retirement System (SERS) provides comprehensive health care benefits to retirees and their dependents. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the STRS and SERS' Retirement Boards have discretionary authority over how much, if any, of the health care costs will be absorbed by STRS and SERS Ohio.

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The retirement board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients. For Dowd, the amount contributed to the Health Care Reserve Fund equaled \$12,245 for the fiscal year ended June 30, 2001.

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. At June 30, 2000, employer contributions to fund health care benefits were 8.45% 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 2000, the minimum pay had been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

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, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000. For Dowd, the amount contributed to the Health Care Reserve Fund, including surcharge equaled \$12,576 for the fiscal year ended June 30, 2001.

9. 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 TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. STATE SCHOOL FUNDING DECISION (Continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, Dowd is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

10. RISK MANAGEMENT

A. Employees Medical, Dental and Vision Benefits

Dowd has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full time employees who work 40 or more hours per week.

B. Property and Liability

Dowd is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001, Dowd contracted with Nationwide Agribusiness Insurance Company for property and general liability insurance.

The Education Liability policy covers errors and omissions, directors and officers, professional, products completed operations and premises operations subject to the general aggregate. This policy is covered by Nationwide Agribusiness Insurance Company with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate limit, with a \$0 deductible.

The Commercial Property policy covers the building and its contents for \$2,000,000 and \$30,000 respectively. This policy is covered by Nationwide Agribusiness Insurance Company with a \$500 deductible.

The Business Computer policy covers the electronic data processing equipment (hardware) for \$20,000. This policy is covered by Nationwide Agribusiness Insurance Company with a \$250 deductible.

The Commercial Crime policy covers public employee dishonesty for \$10,000. This policy is covered by Nationwide Agribusiness Insurance Company with a \$250 deductible.

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

C. Worker's Compensation

Dowd 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.

11. CONTINGENCIES

A. Grants

Dowd 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 Dowd at June 30, 2001.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. The effect of this suit, if any, on Dowd is not presently determinable.

12. FISCAL AGENT

The service agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of The Teresa A. Dowd Community School. As part of this agreement, Dowd shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to Dowd from the State of Ohio. The total contract payment of \$6,263 was paid during the year in full.

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

1. Maintain custody of all funds received by the school in segregated accounts separate from the Sponsor's or any other Community School's funds;
2. Maintain all books and accounts of all funds of the school;
3. Maintain all financial records of all state funds of the school and follow State Auditor procedures for receiving and expending state funds;
4. Assist the school in meeting all financial reporting requirements established by the Auditor of Ohio;
5. Invest funds of the school in the same manner as the funds of the sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and

**THE TERESA A. DOWD COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. FISCAL AGENT (Continued)

6. 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.

13. PURCHASED SERVICES EXPENSES

For fiscal year ended June 30, 2001, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$78,970
Property Services	30,501
Travel Mileage/Meeting Expense	378
Communications	3,563
Utilities	23,892
Contracted Craft or Trade Services	3,899
Transportation Services	9,236
Other Purchased Services	<u>432</u>
Total Purchased Services	<u>\$150,871</u>

14. LEASES

Dowd entered into a lease agreement with the Board of Education, Columbus City School District for use of the property known as the Franklin Middle School Annex. The premises shall be used for housing an educational program for homeless children. The term of the lease commenced September 1, 2000, and was renewed in August of 2001. The lease will renew for a period of one year unless either party gives written notice of intent to cancel. The monthly charge for rental shall be \$2,000 payable the first of each month. Dowd is responsible for the maintenance, utilities, repairs, remodeling, redecorating, inspections, insurance, and damages to the premises.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

The Teresa A. Dowd School
Franklin County
1415 Oak Street
Columbus, Ohio 43205

We have audited the financial statements of The Teresa A. Dowd School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001, wherein we noted the School implemented Governmental Accounting Standards Board Statements 33 and 36. 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 one instance of noncompliance that we have reported to management of the School in a separate letter dated November 2, 2001.

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 November 2, 2001.

The Teresa A. Dowd School
Franklin County
Report on Compliance And on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, management, and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

November 2, 2001



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TERESA A. DOWD 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
JANUARY 31, 2002**