W. C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Education
W. C. Cupe Community School
1132 Windsor Ave
Columbus, Ohio 43226

We have reviewed the *Report of Independent Accountants* of the W. C. Cupe Community School, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The W. C. Cupe Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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W. C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY
For the Year Ending June 30, 2009

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Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

W. C. Cupe Community School
Franklin County
1132 Windsor Avenue
Columbus, Ohio 43226

To the Board of Trustees:

We have audited the accompanying basic financial statements of the W. C. Cupe Community School (the School) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
February 16, 2010

W.C. Cupe Community School

Management's Discussion and Analysis
For the Period Ended June 30, 2009
(Unaudited)

The discussion and analysis of W.C. Cupe Community School (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

Financial Highlights

Key financial highlights for the W.C. Cupe Community School during the period ended June 30, 2009 are as follows:

- Total net assets of the School decreased $36,675 during this 12-month period. Ending net assets of the School were $175,359 compared with $212,034 at June 30, 2008.

- Total assets increased $32,904 from the prior year audit and total liabilities increased by $69,579 from the prior year audit.

- The School's operating loss for this 12-month period was $495,833 compared with an operating loss of $826,658 reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for June 30, 2009 compared to those reported for fiscal year 2008.

Table 1
Net Assets

	2009	2008
Assets:		
Current Assets	$ 118,216	$ 57,440
Capital assets, net	158,019	185,891
Total Assets	276,235	243,331
Liabilities		
Current liabilities	100,876	31,297
Total Liabilities	100,876	31,297
Net Assets:		
Invested in capital assets	158,019	185,891
Restricted	53,412	15,015
Unrestricted	(36,072)	11,128
Total Net Assets	$ 175,359	$ 212,034

The total assets of the School increased by $32,904, which represents a 13.5 percent increase, from total assets reported for fiscal year 2008.

Intergovernmental grants receivables reported at June 30, 2009 were $85,358. The accounts receivables reported at June 30, 2009 were $6,052.

Total liabilities of the School increased $69,579 over those reported in fiscal year 2008.

The total net assets reported for fiscal year 2009 decreased by $36,675. Unrestricted net assets decreased by $47,200 to $(36,072). Restricted net assets increased by $38,397 to $53,412.

Table 2 shows the changes in net assets for the 12-month period ended June 30, 2009 as compared to changes reported for fiscal year 2008.

Table 2
Change in Net Assets

	2009	2008
Operating Revenues:		
Foundation Payments	$ 775,367	$ 1,604,082
Non Operating Revenues:		
State & Federal Grants	459,158	827,460
Total Revenues	$ 1,234,525	$ 2,431,542
Operating Expenses:		
Salaries & Wages	$ -	$ 100,312
Fringe Benefits	-	14,643
Purchased Services	1,204,806	2,274,907
Materials and Supplies	13,726	10,799
Depreciation	27,872	27,872
Fiscal Services	24,796	-
Other Expenses	-	2,207
Total Expenses	$ 1,271,200	$ 2,430,740
Change in Net Assets, before Special Item	$ (36,675)	$ 802
Special Item:		
Transfer of Deficit to Management Company	$ -	$ 502,735
Net Assets, Beginning of Year	212,034	(291,503)
Net Assets, End of Year	$ 175,359	$ 212,034

Total revenue decreased $1,197,017 during this 12-month period compared with the prior fiscal year due to a decrease in student enrollment.

Expenses reported for this 12-month period were $1,159,540 less than the expenses reported for fiscal year 2008.

Capital Assets

At the end of fiscal year 2009, the School had $158,019 invested in furniture, fixtures and equipment. There was a total of $0 in purchases which met the School's capitalization threshold of $500 during the year. See Note 5 of the basic financial statements for additional details.

Debt

At June 30, 2009, the School had no outstanding debt.

Contacting the School

This financial report is designed to provide a general overview of the finances of the W.C. Cupe Community School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of W.C. Cupe Community School, 1111 Windsor Ave., Columbus, Ohio 43211.

W.C. CUPE COMMUNITY SCHOOL

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	26,806
Accounts Receivable		6,052
Intergovernmental Receivables		85,358
Total Current Assets		118,216
TOTAL CURRENT ASSETS		118,216
NON-CURRENT ASSETS		
Capital Assets (net of Accumulated Depreciation)		158,019
TOTAL ASSETS	$	276,235
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	100,876
Total Current Liabilities		100,876
TOTAL LIABILITIES		100,876
NET ASSETS		
Invested in Capital Assets		158,019
Restricted		53,412
Unrestricted		(36,072)
TOTAL NET ASSETS	$	175,359

See accompanying notes to the financial statements

W.C. CUPE COMMUNITY SCHOOL

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES:	
Foundation Payments	$ 775,367
Total operating revenues	775,367
OPERATING EXPENSES	
Fiscal Services	24,796
Purchased Services	1,204,806
Materials and Supplies	13,726
Depreciation	27,872
Total Operating Expenses	1,271,200
Operating Gain/Loss	(495,833)
NON-OPERATING REVENUES	
State and Federal Grants	459,158
Total Non-Operating Revenues	459,158
Changes in net assets	(36,675)
Net Assets, Beginning of Year	212,034
Net Asets, End of Year	$ 175,359

See accompanying notes to the financial statements.

W.C. CUPE COMMUNITY SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 775,367
Cash Payments to Suppliers for Goods and Services	(1,179,801)
Net Cash Used for Operating Activities	(404,434)
Cash Flows from Noncapital Financing Activities	
Federal and State Grants	373,800
Net Cash Provided by Noncapital Financing Activities	373,800
NET INCREASE IN CASH AND CASH EQUIVALENTS	(30,634)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	57,440
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,806
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (495,833)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	27,872
Changes in Assets and Liabilities:	
Increase(Decrease) in Accounts Payable	69,579
(Increase)Decrease in Accounts Receivable	(6,052)
Total Adjustments	91,399
Net Cash Used for Operating Activities	$ (404,434)

See accompanying notes to the financial statements.

W.C. Cupe Community School

Notes to the Financial Statements
For the Year Ended June 30, 2009

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1. Description of the School and Reporting Entity:

W.C. Cupe Community School (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the St. Aloysius Orphanage during the fiscal year ended June 30, 2007, and renews annually every June 30th unless cancelled by either party with 90 days notice.

The School is required to operate under the direction of a Governing Board consisting of at least five members. 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.

On May 28, 2007, the School and Educational Solutions Co. entered into a full-performance management contract. Under this contract, Educational Solutions Co. is obligated to manage and operate the School. Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501©(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the School, Educational Solutions Co. currently supports three other Ohio community schools. Each of its supported schools are members of Educational Solutions Co., as such term is defined by Ohio Revised Code Chapter 1702. As members of Educational Solutions Co., the schools, under Educational Solutions Co.'s Code of Regulations, elect a majority of the Board of Directors of Educational Solutions Co. As a result of this relationship, Educational Solutions Co. is "operated, supervised, or controlled by" its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and Educational Solutions Co. is a Type I supporting organization. As a result of this relationship, Educational Solutions Co. is responsive to the needs and demands of its supported schools and is an integral part of their operations.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School'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 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 and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., 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 utilized 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 Rev. Code Section 5705, unless specifically provided in the Schools 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. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure.   The School maintains a capitalization threshold of $1,000. Improvements are capitalized. The cost 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.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Buildings	40 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	15 years

F. 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.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled $775,367 and revenues associated with specific education grants from the state and federal governments totaled $459,158 during fiscal year 2009.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2009, including:

Wages payable – not applicable as the Management Co. is responsible for wage payments (Note 11).

Intergovernmental payable – not applicable as the Management Co. is responsible for all retirement contributions, Medicare, and Workers' Compensation payments (Note 11).

J. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments:

Custodial credit risk is the risk that in the event of bank failure, the School 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 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 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 the School.

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

At June 30, 2009, the carrying amount of the School's deposits was $26,806 and the bank balance was $28,881. Of the bank deposits, all were collateralized under FDIC insurance and no remaining amounts were uncollateralized and uninsured. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. There was $85,358 in receivables at June 30, 2009.

5. Capital Assets:
Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Capital Assets:				
Buildings	$ 98,934	$ -	$ -	$ 98,934
Furniture and Equipment	$ 93,410	$ -	$ -	$ 93,410
Leasehold	$134,088	$ -	$ -	$134,088
Total Assets	326,432	-	-	326,432
Depreciation:				
Buildings	$(14,574)	$ (2,473)	$ -	$ (17,047)
Furniture and Equipment	$(72,594)	$(16,460)	$ -	$ (89,054)
Leasehold	$(53,372)	$ (8,939)	$ -	$ (62,311)
Accumulated Depreciation	(140,541)	(27,872)	-	(168,413)
Net Capital Assets	$185,891			$158,019

6. Risk Management:

A. Property and Liability

The Management Co. assumed all property and liability risk (Note 11).

B. Workers' Compensation

The Management Co. pays the State Worker's Compensation System a premium for employee injury coverage (Note 11).

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (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 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 the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS are paid and reported by the Management Co. (Note 11).

B. State Teachers Retirement System

Plan Description - The School 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 E. Broad St., Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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 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% 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60: the DB portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited services who become 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's amount balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio are paid and reported by the Management Co. (Note 11).

8. Post-employment Benefits

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS

Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

B. State Teachers Retirement System

Plan Description – The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

For the School, the STRS amounts allocated to post-employment health care are paid and reported by the Management Co. (Note 11).

9. Restricted Net Assets:

At June 30, 2009 the School reported restricted net assets totaling $53,412. The nature of the net asset restrictions are as follows:

State specific educational program grants	$ 6,100
Federal specific educational program grants	47,312
Total	$ 53,412

10. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2009.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and 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 results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2009 as a result of such review.

C. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al. Case #3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provision of the Ohio Community Schools Act, O.R.C. Section 3314, violates both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools in Ohio. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

11. Management Agreement:

On May 28, 2007, the School and Educational Solutions Co. entered into a full-performance management contract. Under this contract, Educational Solutions Co. is obligated to manage and operate the School. Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501©(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the School, Educational Solutions Co. currently supports three other Ohio community schools. Each of its supported schools are members of Educational Solutions Co., as such term is defined by Ohio Revised Cod Chapter 1702. As members of Educational Solutions Co., the schools, under Educational Solutions Co.'s Code of Regulations, elect a majority of the Board of Directors of Educational Solutions Co. As a result of this relationship, Educational Solutions Co. is "operated, supervised, or controlled by" its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and Educational Solutions Co. is a Type I supporting organization. As a result of this relationship, Educational Solutions Co. is responsive to the needs and demands of its supported schools and is an integral part of their operations. Additionally the Management Co. is responsible for all financial and reporting matters.

Educational Solutions has contracted with Mangen & Associates to provide treasurer and accounting services for each of the four schools managed by Educational Solutions. The School must pay all revenues, excluding the lesser of two percent of the base state per pupil allocation, or $30,000 annually (i.e. – 98% of all revenues is paid to the Management Co. in order to pay all expenses and obligations of the School). See Note 16.

12. Other Purchased Services:

During the fiscal year ended June 30, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	$ 431,380
Management Company Fees	770,095
Travel Mileage/Meeting Expenses	3,331
Total Purchased Services	$1,204,806

13. Debt Obligations:

The Management Co. is responsible for all debt, if any (Note 11).

14. Capital Leases:

The Management Co. is responsible for all capital leases (Note 11).

15. Operating Leases:

The Management Co. is responsible for all operating leases (Note 11).

16. Management Company Expenses

For the years ended June 30, 2009 Educational Solutions Co. incurred the following expenses on behalf of the School:

	Amount
Direct and Indirect Expenses:	
Salaries & wages (100 object code)	$510,331
Employees' benefits (200 object codes)	140,897
Professional & technical services (410 object codes)	93,505
Property services (420 object codes)	106,482
Travel (430 object codes)	15,906
Communications (440 object codes)	18,824
Utilities (450 object codes)	13,917
Food & related supplies (560 object codes)	27,083
Other supplies (510, 550, 570, 580, 590 object codes)	19,352
Other direct costs (All other object codes)	8,135
Total Expenses	**$954,432**

17. Contingent Liability

The School had contingent liabilities of $79,019 at June 30, 2009. The liabilities, listed below, were transferred from the School to Educational Solutions Co. (Management Co.) effective July 1, 2007 would revert back to the School if the Management Co. defaulted on payment.

Capital Leases	$ 6,019
Notes Payable - Line of Credit	73,000
Total Contingent Liabilities	$ 79,019

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Office phone - (216) 575-1630
Certified Public Accountants
Fax - (216) 436-2411

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

W. C. Cupe Community School
Franklin County
1132 Windsor Avenue
Columbus, Ohio 43226

To the Board of Trustees:

We have audited the financial statements of the W. C. Cupe Community School (the "School") as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued a report thereon dated February 16, 2010. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying Schedule of Findings, item 2009-WCC-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be material weaknesses. We do not believe the item described above to be a material weakness.

Compliance and Other Matters

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, grants agreements and other matters, 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.*

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the School in a separate letter dated February 16, 2010.

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

Charles E. Harris & Associates, Inc.
February 16, 2010

W. C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY
JUNE 30, 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-WCC-001
SIGNIFICANT DEFICIENCY

Incorrect Accounting Transactions

During the audit of the School's financial records for the year ended June 30, 2009, we noted a transaction that was incorrectly recorded, related to the sales of copiers that were not owned by the School. The sales of copiers owned by other schools that are also managed by the same management company were recorded to the School's financial records, which caused the School's financial statements to be incorrectly prepared. The financial statements have been adjusted to present the accounting information correctly and the School is in agreement with the adjustments.

We recommend that all entries be reviewed to ensure they are posted to the correct school. Also, all transactions should be approved by the Treasurer prior to being posted.

School Response:

Our Treasurer will review all accounting entries for accuracy and completeness before posting to the School's financial records.

W. C. CUPE COMMUNITY SCHOOL
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Significant Deficiency No. 2008-WCC-001	The School had incorrect journal entries.	No	Not corrected. Repeated as finding # 2009-WCC-001.
Significant Deficiency No. 2008-WCC-002	The School incorrectly prepared its Statement of Cash Flows.	Yes	
Noncompliance No. 2008-WCC-03	The School did not have sufficient board members.	Yes	

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Certified Public Accountants

Rockefeller Building
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

W. C. Cupe Community School
Franklin County
1132 Windsor Avenue
Columbus, Ohio 43226

To the Board of Trustees:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the W. C. Cupe Community School has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any purpose.

1. We noted that the Board adopted an anti-harassment policy at its meeting on September 24, 2009.

2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any report incidents;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure from any student guilty of harassment, intimidation or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Charles E. Harris & Associates, Inc.
February 16, 2010

Mary Taylor, CPA
Auditor of State

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
APRIL 15, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us