

**Mary Taylor, CPA**  
Auditor of State



OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Oakstone Community School  
Franklin County  
5747 Cleveland Avenue  
Columbus, Ohio 43231

To the Board of Directors:

We have audited the accompanying basic financial statements of Oakstone Community School, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2008. 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 respective financial position of the of Oakstone Community School, Franklin County, Ohio, as of June 30, 2008, 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 January 30, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

January 30, 2009

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The discussion and analysis of the Oakstone Community School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2008. 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 basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets were \$119,650 at June 30, 2008.
- The School had operating revenues of \$4,608,758, operating expenses of \$4,790,311 and non-operating revenues of \$92,188 for fiscal year 2008. Total change in net assets for the fiscal year was a decrease of \$89,365.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The table below provides a summary of the School's assets, liabilities and net assets for fiscal year 2008 and 2007.

**Assets, Liabilities and Net Assets**

	2008	2007
<b>Assets</b>		
Current assets	\$ 52,414	\$ 158,652
Non-current assets, net	152,898	196,299
<b>Total assets</b>	<b>205,312</b>	<b>354,951</b>
<b>Liabilities</b>		
Current liabilities	81,785	139,686
Long term liabilities	3,877	6,250
<b>Total liabilities</b>	<b>85,662</b>	<b>145,936</b>
<b>Net Assets</b>		
Invested in capital assets	118,876	161,318
Restricted	32,000	32,000
Unrestricted (deficit)	(31,226)	15,697
<b>Total net assets (deficit)</b>	<b>\$ 119,650</b>	<b>\$ 209,015</b>

Current Assets decreased significantly in fiscal year 2008. This decrease was due to a fiscal year 2007 \$126,000 receivable for services provided to the Children's Center for Developmental Enrichment (CCDE) that was received during fiscal year 2008 with no similar receivable outstanding at June 30, 2008. The School had only a small accounts receivable of \$1,377 at June 30, 2008. The School's cash balance at June 30, 2008, was \$40,948, an increase of \$39,116 over 2007.

At June 30, 2008, capital assets represented 57.9% of total assets. Capital assets consisted of furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

Current liabilities decreased significantly in fiscal year 2008. Accounts payable decreased due to less purchasing activity at the end of fiscal year 2008 compared with fiscal year 2007 because of reduced grant funding. Intergovernmental payable also decreased due to more accurate payments of employer share pension contributions and due to a decrease in the amount owed to the Ohio Department of Education for full time equivalency enrollment review.

The School's long term liabilities consist of compensated absences only.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School's net assets were \$119,650 compared to \$209,015 at June 30, 2007. The School's net assets decreased \$89,365 during fiscal year 2008 primarily due to the increasing cost of providing services and due to depreciation on capital assets.



**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	<u>2008</u>	<u>2007</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 4,523,701	\$ 3,040,046
Charges for services	84,000	126,000
Other	<u>1,057</u>	<u>399</u>
Total operating revenue	<u>4,608,758</u>	<u>3,166,445</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	521,124	404,620
Fringe benefits	130,380	103,329
Purchased services	4,091,219	2,318,494
Materials and supplies	255	75,230
Depreciation and amortization	43,401	36,095
Other	<u>3,932</u>	<u>53,096</u>
Total operating expenses	<u>4,790,311</u>	<u>2,990,864</u>
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	89,166	205,910
Donations	-	85
Interest income	<u>3,022</u>	<u>6,676</u>
Total non-operating revenues	<u>92,188</u>	<u>212,671</u>
Change in net assets	(89,365)	388,252
Net assets (deficit) at beginning of year	<u>209,015</u>	<u>(179,237)</u>
Net assets at end of year	<u>\$ 119,650</u>	<u>\$ 209,015</u>

State foundation revenue increased because enrollment for the School went from 112 students at June 30, 2007, to 161 students at June 30, 2008. Charges for services revenue decreased as the School provided less educational services to students placed in OCS classrooms. Interest income decreased because the School had less funds available on which to earn interest during fiscal year 2008 due to decreased grant funding. Federal and State grant revenue decreased due to the School no longer qualifying for start-up grants from Federal and State sources and due to less federal grants utilized in fiscal year 2008.

Salaries and wages increased during 2008 with the addition of one new teacher due to increased enrollment, an additional social worker for support of our families, and the addition of a full time Fiscal Officer. Purchased services increased due to the increase in enrollment and due to proper classification of some expenses (see below). Materials and supplies decreased due to the reduction in start up grant funds. Other expenses decreased due to changes in classification of items such as audit services, insurance, bank fees, etc. These items are now included in purchased services.

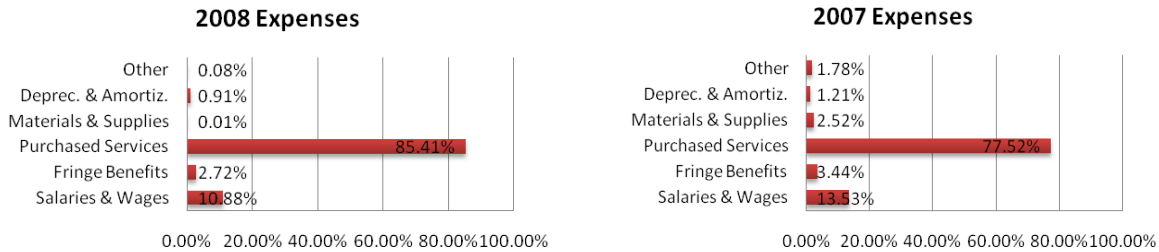
**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The charts below illustrate the revenues for the School during fiscal 2008 and 2007.



The charts below illustrate the expenses for the School during fiscal 2008 and 2007.



**Capital Assets**

At June 30, 2008, the School had \$118,876 invested in furniture and computer equipment. Capital assets decreased \$42,442 in 2008. The School had no capital asset additions and \$42,442 in depreciation expense for the year. See Note 4 to the basic financial statements for more detail on capital assets.

**Debt Administration**

In a prior fiscal year, the School entered into a line of credit agreement which would allow the School to borrow up to \$100,262. The School did not borrow from this line of credit during fiscal year 2008. At June 30, 2008, the School had no debt outstanding.

**Current Financial Related Activities**

The School is sponsored by the Delaware-Union Educational Service Center. The School is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and Federal funds that are made available to finance its operations.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Johanna Gladman, CPA, Fiscal Officer, Oakstone Community School, 5747 Cleveland Avenue, Columbus, Ohio 43231.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**Assets:**

*Current assets:*

Cash	\$ 40,948
Accounts Receivable	1,377
Prepays	10,089
Total current assets	52,414

*Non-current assets:*

Security deposit	32,000
Oganizational costs, net of amortization	2,022
Capital assets, net	118,876
Total non-current assets	152,898

Total assets	205,312
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**Liabilities:**

*Current:*

Accounts payable	9,013
Accrued wages and benefits	61,688
Intergovernmental payable	11,084
Total current liabilities	81,785

*Long-term liabilities:*

Compensated absences	3,877
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Total liabilities	85,662
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**Net Assets:**

Invested in capital assets	118,876
Restricted for:	
Security deposit . . . . .	32,000
Unrestricted . . . . .	(31,226)
Total net assets . . . . .	\$ 119,650

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Operating revenues:</b>	
State foundation	\$ 4,523,701
Charges for services	84,000
Other	<u>1,057</u>
 Total operating revenues	 <u>4,608,758</u>
 <b>Operating expenses:</b>	
Salaries and wages	521,124
Fringe benefits	130,380
Purchased services	4,091,219
Materials and supplies	255
Depreciation and amortization	43,401
Other	<u>3,932</u>
Total operating expenses	<u>4,790,311</u>
 Operating loss	 <u>(181,553)</u>
 <b>Non-operating revenues:</b>	
Federal and state grants	89,166
Interest income	<u>3,022</u>
Total non-operating revenues	<u>92,188</u>
 Change in net assets	 (89,365)
 <b>Net assets at beginning of year</b>	 <u>209,015</u>
<b>Net assets at end of year</b>	<u><u>\$ 119,650</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Cash flows from operating activities:</b>	
Cash received from State foundation	\$ 4,502,591
Cash received from other operations	1,057
Cash payments for salaries and benefits	(676,766)
Cash payments to suppliers for goods and services	(3,867,727)
Cash payments for materials and supplies	(6,555)
Cash payments for other operating activities	<u>(1,951)</u>
Net cash used in operating activities	<u>(49,351)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal and state grants	<u>104,658</u>
Net cash provided by noncapital financing activities	<u>104,658</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(19,213)</u>
Net cash used in capital and related financing activities	<u>(19,213)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>3,022</u>
Net cash provided by investing activities	<u>3,022</u>
Net increase in cash and cash equivalents	39,116
<b>Cash and cash equivalents at beginning of year</b>	<u>1,832</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 40,948</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (181,553)
Adjustments:	
Depreciation and amortization	43,401
Changes in assets and liabilities:	
Decrease in prepayments	951
Decrease in accounts receivable	124,623
Increase in accounts payable	53
Decrease in intergovernmental payable	(41,292)
Increase in accrued wages and benefits	6,839
Decrease in compensated absences payable	<u>(2,373)</u>
Net cash used in operating activities	<u><u>\$ (49,351)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Oakstone Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School specializes in providing educational services to special needs children with Autism Spectrum Disorders. Specific activities in support of the School include general teaching, therapy and socialization activities. The School, which is part of the state's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved under contract with the Delaware-Union Educational Service Center (the "Sponsor") for a period of five years commencing September 20, 2004. The School began operations on October 4, 2004. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The School is staffed by 4 non-certified staff members and 6 certificated teaching personnel who provide services to 161 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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 prior to November 30, 1989, provided those pronouncements 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 School's significant accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

The School uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the School finances meet its cash flow needs.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Accounting**

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

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, the School is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

**E. Cash**

Cash received by the School is reflected as "Cash" on the statement of net assets. The School did not have any investments during the period ended June 30, 2008.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold of \$1,000. The School does not have 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. The School does not capitalize interest.

All capital assets are depreciated. The School's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Furniture and equipment are depreciated over five years.

**G. Compensated Absences**

Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Unused sick leave is banked for use during the following school year but is only paid out upon resignation or termination after ten years of employment with the School. The School records a liability for employees with accumulated unused vacation leave when earned.



**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the School and the expense is recorded when used. The School has prepaid items of \$10,089 at June 30, 2008.

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had restricted net assets related to amounts held by a lessor as part of the School's lease agreement.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**K. Estimates**

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

**NOTE 3 - DEPOSITS**

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2008, the carrying amount of the School's deposits was \$40,948 and the bank balance was \$69,167. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the School.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Depreciable capital assets:				
Furniture	\$ 4,500	\$ -	\$ -	\$ 4,500
Equipment	207,704	-	-	207,704
Less: accumulated depreciation	<u>(50,886)</u>	<u>(42,442)</u>	<u>-</u>	<u>(93,328)</u>
Capital assets, net	<u>\$ 161,318</u>	<u>\$ (42,442)</u>	<u>\$ -</u>	<u>\$ 118,876</u>

**NOTE 5 - BUILDING LEASE AND SECURITY DEPOSIT**

The School operations are located in space leased from the Children's Center for Developmental Enrichment (CCDE). As part of the original lease agreement from fiscal year 2005, the School was required to pay a security deposit of \$32,000. This amount is being held by the Lessor and will be remitted to the School at the end of the lease if all lease commitments are paid. The lease agreement for fiscal year 2008 required \$156,000 in lease payments. The lease expired on June 30, 2008, but was renewed for fiscal year 2009.

**NOTE 6 - RECEIVABLES**

The School had accounts receivable in the amount of \$1,377 as of June 30, 2008. The School had no intergovernmental receivables outstanding at June 30, 2008.

**NOTE 7 - 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 to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent 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 percent for plan members and 14 percent for employers Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contribution for pension obligations to SERS for fiscal years ended June 30, 2008, 2007, and 2006 were \$17,533, \$10,347, and \$10,051 respectively; 74.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$1,311 represents the unpaid contribution for fiscal year 2008 and is recorded as a liability.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 7 - PENSION PLANS – (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 a percentage that varies based on years of

service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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 DC 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 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.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$43,675, \$38,655, and \$31,562 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006. The School has contributed \$8,404 above the required amounts and this has been recorded as a prepaid.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employees 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 2008, 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 2008, this amount was \$1,457.

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.

The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$9,264, \$3,217, and \$2,649 respectively; 74.8% percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal year ended June 30, 2008 were \$1,263; 74.8% percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

Plan Description – The School District 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](http://www.strsoh.org) or by calling (888) 227-7877.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System (Continued)**

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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,360, \$2,973, and \$2,254 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2008, the School contracted with Auto Owner Insurance Company for insurance as follows:

Insurance Type	Coverage	Deductible
Property Insurance	\$ 115,000	\$ 2,500
Electronic Data Processing	425,000	500
Commercial General Liability	1,000,000 Each Occurrence 2,000,000 Aggregate	- -
Abuse	250,000 Each Occurrence 500,000 Each Occurrence	- -
Blanket Employee Dishonesty	250,000	2,500
Directors and Officers	2,000,000	2,500
Employment Practices	2,000,000	5,000

**B. Workers' Compensation**

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the state. The School owed \$4,253 for this premium on January through June 2008 wages and accrued wages. The liability is reflected in the financial statements at June 30, 2008.

**NOTE 10 - EMPLOYEE BENEFITS**

The School provides healthcare and dental insurance for all eligible employees through Anthem Blue Cross and Blue Shield. The School pays 80-90% of the monthly premium for single coverage and 70% for family coverage. The employees pay the remaining premium amount. The School provides life insurance and accidental death and dismemberment insurance to employees through Anthem Blue Cross and Blue Shield and disability insurance through Lincoln Financial.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - PURCHASED SERVICES**

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Rent	\$ 156,000
Management Services	34,000
Summer Services	195,250
Placement Contract	3,600,000
Consulting Services	53,500
Sponsor Services	24,119
Fiscal Services	3,680
Audit Services	7,761
Banking Services	1,115
Other (Advertising, etc.)	22
Insurance	3,041
Computer Consortium and EMIS Services	12,731
<b>Total</b>	<b>\$ 4,091,219</b>

**NOTE 12 - CONTRACTS**

**A. Sponsor Contract**

The School entered into a five-year contract commencing on September 20, 2004 and continuing through September 19, 2009 with the Delaware-Union Educational Service Center (the "Sponsor") for its establishment. Under the contract, the following terms were agreed upon:

- The School shall operate in substantial compliance with its "Educational Program", which contains the School's mission, educational philosophy, the ages and grades of students, the characteristics of the students the School is expected to attract, the School calendar, the academic goals and the method of measurement that will be used to determine progress toward those goals, graduation requirements, and the focus of the curriculum.
- The School shall operate in substantial compliance with a "Financial Plan", which establishes an estimated school budget for each year and a total estimated per pupil expenditure amount for each such year.
- The School shall secure the services of a Chief Executive Officer, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of the School, and a liaison between the School and Sponsor.
- The School shall annually pay to the Sponsor, from funding provided to the School by the Ohio Department of Education (ODE) pursuant to Section 3314.08 of the Ohio Revised Code, \$155 per student per year and such other amounts as mutually agreed, including fees for any services provided to the School by the Sponsor.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 – CONTRACTS (Continued)**

**B. Management Contract**

The School entered into an Administrative Management agreement with CCDE for Administrative Services for the period July 1, 2007 through June 30, 2008 in the amount of \$34,000. CCDE will provide services in the area of human resources, accounting, staff training and support, secretarial, administrative, data entry, and curriculum and program development. Payments to CCDE for Administrative Services amounted to \$34,000 during fiscal year 2008. The management contract was renewed for fiscal year 2009.

**C. Service Contract**

The School entered into a Placement Contract with CCDE to provide for educational services to certain students in order to assist the School in meeting the educational needs and to provide the necessary services of the student's Individual Educational Plan. The required amount due to CCDE under the Placement Contract was \$3,600,000 during fiscal year 2008. The School prepaid \$9,000 in fiscal year 2007. The School also had \$126,000 in accounts receivable from fiscal year 2007 and \$84,000 in charges for services revenue from CCDE in fiscal year 2008. These items were used to offset the cost of the placement contract and the remaining \$3,381,000 was paid during the fiscal year.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally 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. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education conducts reviews of enrollment data 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 fiscal year 2008 review resulted in the discovery of an overpayment to the School in the amount of \$31. This amount will be deducted from the School's foundation funding during fiscal year 2009 and is included in intergovernmental payable at June 30, 2008.

**NOTE 14 - DEBT ADMINISTRATION**

On November 15, 2005, the School entered into a line of credit agreement with an initial interest rate of 8.00% that would allow the School to borrow up to \$100,262. During fiscal year 2008, the School did not draw from the line of credit and at June 30, 2008 the School had no debt outstanding.

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 15 - SUBSEQUENT EVENT**

On January 1, 2009, the School's sponsor, Delaware-Union Educational Service Center merged with the Educational Service Center of Franklin County to form the Educational Service Center of Central Ohio (ESCCO). The ESCCO will perform the duties and responsibilities as sponsor of the School beginning January 1, 2009 according to the same terms described in Note 12 A above.





# 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*

Oakstone Community School  
Franklin County  
5747 Cleveland Ave.  
Columbus, Ohio 43231

To the Board of Directors:

We have audited the financial statements of Oakstone Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 30, 2009. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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*.

We intend this report solely for the information and use of the management, Board of Directors and the Educational Service Center of Central Ohio. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 30, 2009

**OAKSTONE COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Two accounting systems were being used	Yes	
2007-002	Board of Directors should review financial reports	Yes	
2007-003	Bank reconciliations were not performed monthly	Yes	





Mary Taylor, CPA  
Auditor of State

OAKSTONE COMMUNITY SCHOOL

FRANKLIN COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 10, 2009