Great Western Academy

Franklin County

Single Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

Balestra, Harr & Scherer, CPAs, Inc.

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www.bhscpas.com

Mary Taylor, CPA
Auditor of State

Board of Directors
Great Western Academy
310 North Wilson Road
Columbus, Ohio 43204

We have reviewed the *Independent Auditor's Report* of the Great Western Academy, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Great Western Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 5, 2010

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Great Western Academy

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Member American Institute of Certified Public Accountants   Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Great Western Academy
310 North Wilson Road
Columbus, OH 43204

We have audited the accompanying financial statements of the business type activities of the Great Western Academy (the Academy), Franklin County, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy'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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Balestra, Harr & Scherer, CPAs, Inc. has billed the Academy for audit services provided for the year ended June 30, 2007. As of the date of this report, the Academy has been billed $7,000 and has yet to pay a total of $7,000.

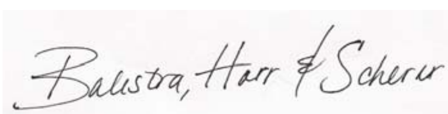
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities the Academy, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, there of, for the 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 October 30, 2009 on our consideration of the Academy'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.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 4, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and GASB Statement No.48, Sales and Pledges of Receivables and FutureRevenues and Intra-Entity Assets and Future Revenues.*.



Balestra, Harr & Scherer, CPAs, Inc.
October 30, 2009

GREAT WESTERN ACADEMY

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

Our discussion and analysis of the Great Western Academy's (Academy's) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

In total, net assets decreased $35,438 creating a net asset deficit of $39,417.

Total assets increased $87,336, and liabilities increased $122,774.

Using this Financial Report

This financial report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy's finances is, "Is the Academy better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses and changes in net assets report information about the Academy as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

GREAT WESTERN ACADEMY

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

Table 1 provides a comparative analysis of fiscal year 2008 and 2007:

Table 1
Net Assets

	2008	2007
Assets		
Current assets	$ 283,886	$ 190,535
Capital assets, net	1,228	7,243
Total assets	285,114	197,778
Liabilities		
Current liabilities	318,906	190,190
Long-term liabilities	5,625	11,567
Total liabilities	324,531	201,757
Net Assets		
Invested in capital assets	1,228	7,243
Unrestricted	(40,645)	(11,222)
Total net assets (deficit)	$ (39,417)	$ (3,979)

Net assets of the Academy have decreased $35,438 during fiscal year 2008. The large increase in current assets and current liabilities is related to grants receivable and the amount due to Imagine at June 30, 2008, which is reported as accounts payable. In addition, as a result of the full-time equivalency review by the Ohio Department of Education, $31,835 has been reported as an intergovernmental payable at June 30, 2008.

Table 2
Changes in Net Assets

	2008	2007
Operating Revenues:		
Sales	$ 18,888	$ 14,891
Extracurricular	10,846	-
State foundation	4,413,627	3,397,303
Other	8,577	12,799
Total operating revenue	4,451,938	3,424,993
Operating Expenses:		
Fringe benefits	247,974	206,136
Purchased services	5,156,022	3,641,016
Materials and supplies	-	267
Depreciation	6,015	6,015
Other	6,679	291
Total operating expenses	5,416,690	3,853,725
Non-operating Revenues (Expenses):		
Federal and state grants	928,073	431,539
Interest expense	(990)	(1,458)
Contributions and donations	2,231	-
Total non-operating revenues	929,314	430,081
Change in net assets	(35,438)	1,349
Net assets at beginning of year	(3,979)	(5,328)
Net assets at end of year	$ (39,417)	$ (3,979)

The Academy's operating revenues and federal and state grant non-operating revenues increased $1,026,945 and $496,534, respectively, as a result of enrollment increasing from 354 students in fiscal year 2007 to 676 students in fiscal year 2008. The Academy's expenses also increased $1,562,965 as a result of costs associated with increased enrollment over the prior school year.

Capital Assets

The Academy has $1,228 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 6).

Debt

At June 30, 2008 the Academy had $5,625 in a capital lease payable, all of which is due within one year. See Note 8 to the basic financial statements for detail on the outstanding obligation.

Restrictions and Other Limitations

The future financial stability of the Academy is not without challenges.

The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information please contact Mr. Robert Lotz, Treasurer, Charter School Specialists, 310 North Wilson Road, Columbus, Ohio.

GREAT WESTERN ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:		
Current assets:		
Cash	$	55,635
Receivables:		
Intergovernmental		228,251
Total current assets.		283,886
Non-current assets:		
Capital assets, net.		1,228
Total assets		285,114
Liabilities:		
Current liabilities:		
Accounts payable		287,071
Intergovernmental payable		31,835
Total current liabilities		318,906
Long-term liabilities:		
Due within one year.		5,625
Total long-term liabilities.		5,625
Total liabilities		324,531
Net Assets:		
Invested in capital assets		1,228
Unrestricted		(40,645)
Total net assets (deficit).	$	(39,417)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GREAT WESTERN ACADEMY
FRANKLIN COUNTY, OHIO

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

Operating revenues:		
Sales.	$	18,888
Extracurricular.		10,846
State foundation.		4,413,627
Other.		8,577
Total operating revenue		4,451,938
Operating expenses:		
Fringe benefits.		247,974
Purchased services.		5,156,022
Depreciation		6,015
Other.		6,679
Total operating expenses.		5,416,690
Operating loss		(964,752)
Non-operating revenues and (expenses):		
Federal and state grants		928,073
Interest expense		(990)
Contributions and donations.		2,231
Total non-operating revenues and (expenses) .		929,314
Change in net assets		(35,438)
Net assets (deficit) at beginning of year . . .		(3,979)
Net assets (deficit) at end of year.	$	(39,417)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GREAT WESTERN ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:		
Cash received from sales	$	18,888
Cash received from extracurricular activities		10,846
Cash received from state foundation		4,445,462
Cash received from other operations		8,577
Cash payments for fringe benefits		(247,974)
Cash payments to suppliers for goods and services.		(5,059,141)
Cash payments for other expenses		(6,679)
Net cash used in operating activities		(830,021)
Cash flows from noncapital financing activities:		
Federal and state grants.		730,898
Cash received from contributions and donations.		2,231
Net cash provided by noncapital financing activities		733,129
Cash flows from capital and related financing activities:		
Payments for principal and interest on capital acquisitions.		(6,932)
Net cash used in capital and related financing activities		(6,932)
Net decrease in cash and cash equivalents		(103,824)
Cash and cash equivalents at beginning of period		159,459
Cash and cash equivalents at end of period.	$	55,635
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(964,752)
Adjustments:		
Depreciation.		6,015
Changes in assets and liabilities:		
Increase in accounts payable		96,881
Increase in intergovernmental payable		31,835
Net cash used in operating activities	$	(830,021)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Great Western Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy contracted with Imagine Schools, Inc. for most of its functions beginning February 14, 2006 (See Note 12.A). The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2002. On May 30, 2007, the Academy entered into a new sponsorship contract with the Lucas County Educational Service Center. The sponsorship contract is for a period of five years ending on May 14, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a 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 qualifications of teachers. The Board of Directors control the Academy's instructional/support facility staffed by employees of the management company who provide services to 676 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy 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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy'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 Academy uses enterprise accounting to track and report on its financial activities during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Enterprise accounting is used to track and report the Academy's financial activities. Enterprise accounting is used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost (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.

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

B. Measurement Focus and Basis of Accounting

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 statement of changes in net assets presents increases and decreases in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. 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. Revenues resulting from non-exchange transactions, in which the Academy received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

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

D. Cash

All monies received by the Academy are deposited in a central bank account.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess any infrastructure. 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.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful live of the related capital assets.

Assets	**Years**
Furniture and equipment	5
Computer & copier equipment	3

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the Poverty Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under the above programs for the 2008 school year totaled $4,413,627.

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts recognized under the above programs for the 2008 fiscal year totaled $928,073.

G. Accrued Liabilities and Long-Term Obligation

All payables and other accrued liabilities are reported on the statement of net assets.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy did not have any restricted net assets at fiscal year end.

I. Estimates

The preparation of the 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 those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2008, the Academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Academy.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2008, the carrying amount of the Academy's deposits was $55,635 and the bank balance was $62,489. 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 non-profit corporation.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Academy's name. The Academy complied with the provisions of these statutes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	Amount
Federal meal reimbursement	$ 42,173
SchoolNet professional development	2,070
Title I IDEA	45,766
Title I	137,529
Title IIA	713
Total intergovernmental receivables	$ 228,251

NOTE 6 - CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2008, follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Capital assets, being depreciated:				
Equipment	$ 30,076	$ -	$ -	$ 30,076
Less: accumulated depreciation	(22,833)	(6,015)	-	(28,848)
Capital assets, net	$ 7,243	$ (6,015)	$ -	$ 1,228

NOTE 7 - RISK MANAGEMENT

The Academy 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 fiscal year 2008, the Academy maintained the following general liability, automobile liability, excess/umbrella liability through Philadelphia Insurance Company; boiler and machinery coverage with Hartford Steam & Boiler Company; and employer's liability, school leaders, and student accident coverage with Indiana Insurance.

Coverage	Limits of Coverage
General liability:	
Each occurrence	$ 1,000,000
General aggregate	2,000,000
Products	3,000,000
Medical expenses	10,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	300,000
Automobile liability	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
Employers' liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
School leaders:	
Each occurrence	1,000,000
Aggregate	1,000,000
Student Accident:	
Aggregate	250,000

NOTE 7 - RISK MANAGEMENT

Coverage		Limits of Coverage
Boiler & Machinery:		
Limit	$	100,000,000
Deductible		1,500

NOTE 8 - CAPITALIZED LEASES

During fiscal years ending 2004, 2003 and 2002, the Academy entered into capitalized leases for office equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded at the present value of future minimum lease payments as of the inception dates. The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	
2009	$ 5,776
Total minimum lease payments	5,776
Less: interest	(151)
Present value of minimum lease payments	$ 5,625

NOTE 9 - OPERATING LEASES

SchoolHouse Finance, LLC entered into a lease agreement with Great Western Shopping Center Company on September 1, 2006 to lease the facilities the Academy occupies. The term of the lease commenced May 1, 2006 through August 31, 2016. The monthly rent is $11,893 through August 31, 2008, $12,917 through August 31, 2011, and $15,333 through August 31, 2016.

Subsequently, on September 1, 2006, the Academy entered into an agreement to sublease the facilities at Great Western Shopping Center from SchoolHouse Finance, LLC. The term of the lease commenced September 1, 2006 through August 31, 2016. Rent is to be paid in equal monthly installments of one-twelfth the annual rent. Annual minimum rent is $587,482 through August 31, 2008, $599,762 through August 31, 2011 and $628,762 through August 31, 2016. Commencing on September 1, 2007 and on September 1 of each year thereafter, the prior year’s annual base rent amount shall escalate at a rate equal to the overall Consumer Price Index for All Urban Consumers.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy'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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, June 30, 2007 and June 30, 2006 were $65,045, $59,940 and $42,517, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The Academy 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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.

NOTE 10 - PENSION PLANS - (Continued)

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, June 30, 2007 and June 30, 2006 were $137,949, $113,490 and $151,587, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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 $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.

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The Academy's contributions for health care for the fiscal years ended June 30, 2008, June 30, 2007 and June 30, 2006 were $29,682, $19,900 and $14,837 respectively; 100 percent has been contributed for fiscal years 2008, 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 fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, June 30, 2007 and June 30, 2006 were $4,687, $4,076 and $3,384, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, June 30, 2007 and June 30, 2006 were $10,611, $8,730 and $11,661, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

NOTE 12 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the Academy at June 30, 2008.

NOTE 12 - CONTINGENCIES - (Continued)

B. 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 provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate 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. The case is currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Academy owed the Ohio Department of Education $31,835 which is reflected on the basic financial statements as an intergovernmental payable.

NOTE 13 - CONTRACTS

A. Management Contract

The Academy entered into a management contract with Imagine Schools, Inc. for management consulting services. Imagine Schools, Inc. is required to provide the following services:

- Personnel & human resources administration
- Program of instruction
- Purchasing & contracts
- Budgeting, financial reporting and audit preparation
- Compliance issues
- Curriculum research and development
- Marketing and publicity
- Equipment and facilities
- Grant preparation and management

For the services listed above, the Academy is required to pay a fee to Imagine Schools, Inc. The fee is equal to 98% of the total per pupil allowance received from the State of Ohio and of state and/or federal grant funds received by the Academy for the creation and operation of its school. In the event that the year end reconciliation results in a difference between the total amount paid and the agreed fee, with a balance owed, the Imagine Schools, Inc. has the right to suspend collection until such time as the Academy determines that cash flow permits such payment. The total expenses paid under this contract for fiscal year 2008 totaled $5,030,896, which includes $283,886 and $186,723 reported in accounts payable at June 30, 2008 and June 30, 2007, respectively.

NOTE 13 - CONTRACTS - (Continued)

B. Service Contract

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), to provide fiscal, student data, and Comprehensive Continuous Planning (CCIP) consulting services. The Academy paid CSS $29,700 in service fees for fiscal year 2008.

NOTE 14 - PURCHASED SERVICES EXPENSES

Professional and technical services	$ 5,156,022

Professional and technical services include management services, fiscal services, sponsor fees, and legal fees.

NOTE 15 - MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2008, Imagine Schools, Inc. incurred the following expenses, which are reported on cash-basis, on behalf of the Academy:

Salaries and wages	$ 1,839,277
Employee benefits	340,821
Purchased services	1,932,261
Materials and supplies	177,252
Capital outlay	58,245
Miscellaneous - Direct	30,155
Total	$ 4,378,011

NOTE 16 - TAX EXEMPT STATUS

The Academy was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on December 7, 1999. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

In August 2008 the Academy began operating under a seven member Board of Directors.

Great Western Academy
Franklin County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculttre						
Passed through Ohio Department of Education						
Nutrition Cluster:						
National School Breakfast Program	3L70	10.553	101,210	-	101,210	-
National School Lunch Program	3L60	10.555	176,104	23,000	176,104	23,000
Total Nutrition Cluster			277,314	23,000	277,314	23,000
Total United States Department of Agriculture			277,314	23,000	277,314	23,000
United States Department of Education						
Passed through Ohio Department of Education						
Special Education Cluster:						
Special Education Grants to States, IDEA-B	3M20	84.027	80,501	-	120,226	-
Special Education, IDEA Preschool Grant for the Handicap	3D10	84.173	2,912	-	2,912	-
Total Special Education Cluster			83,413	-	123,138	-
Title I Grants to Local Agencies	3D00	84.010	344,580	-	407,000	-
Drug Free Education	3D10	84.186	469	-	469	-
Innovative Education Program Strategy	3M10	84.298	88	-	88	-
Technology II-D	3S20	84.318	276	-	276	-
Teacher Quality Grant	3Y60	84.367	6,412	-	11,019	-
Total United States Department of Education			$ 435,238	$ -	$ 541,990	$ -
Total Federal Financial Assistance			$ 712,552	$ 23,000	$ 819,304	$ 23,000

N/A=Not Available

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

GREAT WESTERN ACADEMY
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the Academy to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board
Great Western Academy
310 North Wilson Road
Columbus, OH 43204

We have audited the accompanying basic financial statements of the business type activities of the Great Western Academy (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2009 in which we indicate that the Academy implemented GASB Statements No. 48, 50 and No. 45. We also noted the Academy has not paid a total of $7,000 for audit services rendered by Balestra, Harr & Scherer, CPAs, Inc. for the year June 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards..*

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy'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 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 Academy'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 Academy'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 Academy's internal control will not prevent or detect a material financial 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 deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

We also noted a certain internal control matter that we reported to management in a separate letter dated October 30, 2009.

Compliance and Other Matters

As part of obtaining reasonably assuring whether the Academy'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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, members of the Board , federal awarding agencies and federal pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 30, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board
Great Western Academy
310 North Wilson Road
Columbus, OH 43204

Compliance

We have audited the compliance of Great Western Academy, Franklin County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

In a separate letter to management dated October 30, 2009, we reported a matter regarding federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Academy's internal control.

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

This report is intended solely for the information and use of management, the Board of Education , federal awarding agencies and federal pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 30, 2009

GREAT WESTERN ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any significant internal control deficiencies reported for major federal programs?	No
(d)(1)(iv)	Were there any material weakness reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 Title I Grants to Local Agencies, Nutrition Cluster, CFDA #10.555, National School Lunch Program and CFDA #10.553, National School Breakfast Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

GREAT WESTERN ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

GREAT WESTERN ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL 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; Explain:
2007-001	Management Company's maintenance of supporting documentation.	Yes	

Mary Taylor, CPA
Auditor of State

GREAT WESTERN ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2010

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