

***W. C. CUPE COMMUNITY SCHOOL  
FRANKLIN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2010***

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





# Dave Yost • Auditor of State

Board of Trustees  
W. C. Cupe Community School  
1132 Windsor Avenue  
Columbus, Ohio 43211

We have reviewed the *Report of Independent Accountants* of the W. C. Cupe Community School, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 21, 2011

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**W. C. CUPE COMMUNITY SCHOOL**  
**FRANKLIN COUNTY**  
**AUDIT REPORT**  
For the year ended June 30, 2010

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the W. C. Cupe Community School, Franklin County (the School) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *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.

***Charles E. Harris & Associates, Inc.***

January 5, 2011

**W.C. Cupe Community School**  
Management's Discussion and Analysis  
For the Period Ended June 30, 2010  
(Unaudited)

The discussion and analysis of W.C. Cupe Community School (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

### **Financial Highlights**

Key financial highlights for the W.C. Cupe Community School during the period ended June 30, 2010 are as follows:

- Total net assets of the School increased \$4,196 during this 12-month period. Ending net assets of the School were \$179,555 compared with \$175,359 at June 30, 2009.
- Total assets increased \$40,420 from the prior year audit and total liabilities increased by \$36,224 from the prior year audit.
- The School's operating loss for this 12-month period was \$615,992 compared with an operating loss of \$495,833 reported for the prior year.

### **Using this Financial Report**

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

#### *Statement of Net Assets*

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



**W.C. Cupe Community School**  
Management's Discussion and Analysis  
For the Period Ended June 30, 2010  
(Unaudited)

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

Table 1 provides a summary of the School's net assets for June 30, 2010 compared to those reported for fiscal year 2009.

**Table 1**  
**Net Assets**

	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Current Assets	\$186,508	\$118,216
Capital Assets, Net	130,147	158,019
Total Assets	316,655	276,235
<b>Liabilities:</b>		
Current liabilities	137,100	100,876
Total Liabilities	137,100	100,876
<b>Net Assets:</b>		
Invested in Capital Assets		
Restricted	130,147	158,019
Unrestricted	35,436	53,412
	13,972	(36,072)
Total Net Assets	\$179,555	\$175,359

The total assets of the School increased by \$40,420, which represents a 14.6 percent increase, from total assets reported for fiscal year 2009.

Intergovernmental grants receivables reported at June 30, 2010 were \$81,534. The accounts receivables reported at June 30, 2010 were \$0.

Total liabilities of the School increased \$36,224 over those reported in fiscal year 2009.

The total net assets reported for fiscal year 2010 increased by \$4,196. Unrestricted net assets increased by \$50,044 to \$13,972. Net assets invested in capital assets decreased by \$27,872 to \$130,147.

**W.C. Cupe Community School**  
Management's Discussion and Analysis  
For the Period Ended June 30, 2010  
(Unaudited)

Table 2 shows the changes in net assets for the 12-month period ended June 30, 2010 as compared to changes reported for fiscal year 2009.

**Table 2**  
**Change in Net Assets**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues:</b>		
Foundation Payments	\$645,172	\$775,367
<b>Non Operating Revenues:</b>		
Federal Grants	620,188	459,158
Total Revenues	<u>1,265,360</u>	<u>1,234,525</u>
<b>Operating Expenses:</b>		
Fiscal Services	14,204	24,796
Purchased Services	1,212,169	1,204,806
Materials and Supplies	6,286	13,726
Depreciation Expense	27,872	27,872
Other Expenses	633	-
Total Expenses	<u>1,261,164</u>	<u>1,271,200</u>
Change in Net Assets	4,196	(36,675)
Net Assets, Beginning of Year	<u>175,359</u>	<u>212,034</u>
Net Assets, End of Year	<u>\$179,555</u>	<u>\$ 175,359</u>

Total revenue increased \$30,835 during this 12-month period compared with the prior fiscal year.

Expenses reported for this 12-month period were \$10,036 less than the expenses reported for fiscal year 2009.

**W.C. Cupe Community School**  
Management's Discussion and Analysis  
For the Period Ended June 30, 2010  
(Unaudited)

**Capital Assets**

At the end of fiscal year 2010, the School had \$130,147 invested in furniture, fixtures and equipment. There were no purchases that met the School's capitalization threshold of \$1,000 during the year. See Note 5 of the basic financial statements for additional details.

**Debt**

At June 30, 2010, the School had no outstanding debt.

**Contacting the School**

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

**W.C. CUPE COMMUNITY SCHOOL  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010**

	<b>2010</b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 104,974
Intergovernmental Receivable	81,534
Total Current Assets	186,508
Non-Current Assets	
Capital Assets - Net	130,147
<b>TOTAL ASSETS</b>	<b>316,655</b>
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	129,147
Intergovernmental Payable	7,953
Total Current Liabilities	137,100
<b>TOTAL LIABILITIES</b>	<b>137,100</b>
 <b>NET ASSETS</b>	
Invested in Capital Assets	130,147
Restricted	35,436
Unrestricted	13,972
<b>TOTAL NET ASSETS</b>	<b>\$ 179,555</b>

See accompanying notes to the financial statements.

**W.C. CUPE COMMUNITY SCHOOL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u><b>2010</b></u>
<b>OPERATING REVENUES</b>	
Foundation Payments	\$ 645,172
Total Operating Revenues	<u>645,172</u>
<b>OPERATING EXPENSES</b>	
Purchased Services	1,212,169
Fiscal Services	14,204
Materials and Supplies	6,286
Depreciation Expense	27,872
Other Expenses	633
Total Operating Expenses	<u>1,261,164</u>
Operating Gain/(Loss)	(615,992)
<b>NON-OPERATING REVENUE</b>	
Federal Grant Revenue	<u>620,188</u>
Total Non-Operating Revenues	<u>620,188</u>
Change in Net Assets	4,196
Net Assets, Beginning of Year	<u>175,359</u>
Net Assets, End of Year	<u><u>\$ 179,555</u></u>

See accompanying notes to the financial statements.

**W.C. CUPE COMMUNITY SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u><b>2010</b></u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from State of Ohio	\$ 653,125
Cash Payments to Suppliers for Goods and Services	<u>(1,205,021)</u>
Net Cash Used in Operating Activities	<u>(551,896)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash Received From Federal Grants	<u>630,064</u>
Net Cash Provided by Noncapital Financing Activities	<u>630,064</u>
Net Increase In Cash and Cash Equivalents	78,168
Cash and Cash Equivalents, Beginning of Year	<u>26,806</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 104,974</u></u>
 <b>Reconciliation of Operating Loss Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (615,992)
 <b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>	
Depreciation Expense	27,872
<b>Changes in Assets and Liabilities:</b>	
Increase in Accounts Payable	28,271
Increase in Intergovernmental Payable	<u>7,953</u>
Total Adjustments	<u>64,096</u>
Net Cash Used in Operating Activities	<u><u>\$ (551,896)</u></u>

See accompanying notes to the financial statements.

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**1. Description of the School and Reporting Entity:**

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

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

The School is required to operate under the direction of a Governing Board consisting of at least five members. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers.

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

**2. Summary of Significant Accounting Policies:**

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

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**2. Summary of Significant Accounting Policies (continued):**

issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

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

**B. Measurement Focus and Basis of Accounting**

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

**D. Cash and Cash Equivalents**

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



**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**2. Summary of Significant Accounting Policies (continued):**

**E. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Life</u>
Buildings	40 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	15 years

**F. Estimates**

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

**G. Intergovernmental Revenues**

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

Intergovernmental revenues associated with the Foundation Program totaled \$645,172 and revenues associated with specific education grants from the state and federal governments totaled \$620,188 during fiscal year 2010.

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**2. Summary of Significant Accounting Policies (continued):**

**H. Operating and Non-Operating Revenues and Expenses**

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

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

**I. Accrued Liabilities Payable**

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2010, including:

**Accounts Payable** – obligations incurred but unpaid prior to June 30, 2010.

**Wages payable** – salary payments made after year-end for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2010 contract.

**Intergovernmental payable** – payment for the employer's share of the retirement contribution, Medicare, and Workers' Compensation associated with services rendered during fiscal year 2010 that were paid in the subsequent fiscal year.

**J. Federal Tax Exemption Status**

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

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**2. Summary of Significant Accounting Policies (continued):**

**K. Net Assets**

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

**3. Deposits and Investments:**

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

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

At June 30, 2010, the carrying amount of the School's deposits was \$104,974 and the bank balance was \$63,700. Of the bank deposits, all were collateralized under FDIC insurance and no remaining amounts were uncollateralized and uninsured. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**4. Intergovernmental Receivables:**

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. There were \$81,534 in receivables at June 30, 2010.

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**5. Capital Assets:**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	<b><u>Balance</u></b> <b><u>6/30/09</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>6/30/10</u></b>
<b>Capital Assets:</b>				
Buildings	\$ 98,934	\$ -	\$ -	\$ 98,934
Furniture and Equipment	93,410	-	-	93,410
Leasehold	134,088	-	-	134,088
	<u>326,432</u>	<u>-</u>	<u>-</u>	<u>326,432</u>
Total Assets	<u>\$326,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,432</u>
<b>Depreciation:</b>				
Buildings	\$(17,047)	\$ (2,473)	\$ -	\$ (17,047)
Furniture and Equipment	(89,054)	(16,460)	-	(89,054)
Leasehold	(62,311)	(8,939)	-	(62,311)
	<u>\$(168,413)</u>	<u>\$(27,872)</u>	<u>\$ -</u>	<u>\$(196,285)</u>
Accumulated Depreciation	<u>\$(168,413)</u>	<u>\$(27,872)</u>	<u>\$ -</u>	<u>\$(196,285)</u>
<b>Net Capital Assets</b>	<u><u>\$158,019</u></u>			<u><u>\$130,147</u></u>

**6. Risk Management:**

**A. Property and Liability**

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

**B. Workers' Compensation**

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

**7. Defined Benefit Pension Plans:**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**7. Defined Benefit Pension Plans (continued):**

That report may be obtained by writing the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS are paid and reported by the Management Co. (Note 11).

**B. State Teachers Retirement System**

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](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 percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DB portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited services who become disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**7. Defined Benefit Pension Plans (continued):**

who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's amount balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**8. Post-employment Benefits:**

**A. School Employee Retirement System**

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 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 2010, the amount was \$35,800.

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

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**8. Post-employment Benefits (continued):**

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

**B. State Teachers Retirement System**

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

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

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

**9. Restricted Net Assets:**

At June 30, 2010 the School reported restricted net assets totaling \$35,436. The nature of the net asset restrictions are as follows:

Federal specific educational program grants	\$35,436
Total	\$35,436

**10. Contingencies:**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2010.

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**10. Contingencies (continued):**

**B. State funding**

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2010 as a result of such review.

**11. Management Agreement:**

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

The Academy is a party to a fiscal services agreement Hemphill & Associates, which is a certified public accounting company. The Agreement's term is for a twelve month period beginning July 1, 2009, and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that H&A will perform the following functions for the Academy:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.
2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource all support.



**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**11. Management Agreement (continued):**

The total fee paid for these services during fiscal year 2010 was \$14,204.

**12. Purchased Services:**

During the fiscal year ended June 30, 2010, purchased service expenses for services rendered by various vendors were as follows:

Professional and Management Services	\$ 607,780
Food Services	269,075
Other Purchased Services	<u>335,314</u>
Total Purchased Services	<u>\$ 1,212,169</u>

**13. Debt Obligations:**

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

**14. Capital Leases:**

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

**15. Operating Leases:**

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

**W.C. Cupe Community School**  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**16. Management Company Expenses**

For the years ended June 30, 2010 Educational Solutions Co. incurred the following expenses on behalf of the School:

	<u>For the Year Ending June 30, 2010</u>
Direct and Indirect Expenses:	
Salaries & wages (100 object code)	\$304,170
Employees' benefits (200 object codes)	69,672
Professional & technical services (410 object codes)	106,389
Property services (420 object codes)	98,865
Travel (430 object codes)	4,316
Communications (440 object codes)	21,224
Utilities (450 object codes)	21,119
Other supplies (510, 550, 570, 580, 590 object codes)	24,495
Other direct costs (All other object codes)	2,054
<b>Total Expenses</b>	<b><u><u>\$652,304</u></u></b>

**17. Contingent Liability**

The School had contingent liabilities of \$67,245 at June 30, 2010. The liabilities, listed below, were transferred from the School to Educational Solutions Co. (Management Co.) effective July 1, 2007 would revert back to the School if the Management Co. defaulted on payment.

Notes Payable - Line of Credit	<u>\$67,245</u>
Total Contingent Liabilities	<u>\$67,245</u>

**W.C. CUPE COMMUNITY SCHOOL  
FRANKLIN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title/</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	\$ 277,078	\$ 256,200
Total Child Nutrition Cluster		<u>277,078</u>	<u>256,200</u>
Total U.S. Department of Agriculture		<u>277,078</u>	<u>256,200</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I			
Title I Grants to Local Educational Agencies 09	84.010	59,800	59,800
Title I Grants to Local Educational Agencies	84.010	60,000	60,000
Title I Grants to Local Educational Agencies 10	84.010	76,994	72,930
ARRA Title I Grants to Local Educational Agencies	84.389	<u>54,696</u>	<u>56,565</u>
Total Title I		251,490	249,295
School Improvement Grants	84.377	200	200
Special Education Cluster			
Special Education Grants to States 09	84.027	21,064	28,564
Special Education Grants to States 10	84.027	10,504	10,538
ARRA Special Education Grants to States	84.391	13,614	13,368
Early Childhood State Grants 10	84.173	260	260
Early Childhood State Grants 09	84.173	<u>866</u>	<u>866</u>
Total Special Education Cluster		46,308	53,596
ARRA SFSF Budget Stabilization	84.394	44,836	44,836
Drug Free School Grants to State 10	84.186	2,732	2,732
Education Technology State Grants	84.318	560	713
Title V State Grants 10	84.298	251	251
Improving Teacher Quality State Grants 09	84.367	3,629	3,629
Improving Teacher Quality State Grants 10	84.367	<u>2,965</u>	<u>2,965</u>
Total Improving Teacher Quality		6,594	6,594
Total U.S. Department of Education		<u>352,971</u>	<u>358,217</u>
Total Federal Assistance		<u>\$ 630,049</u>	<u>\$ 614,417</u>

See Note to the Schedule of Federal Expenditures

**W. C. Cupe Community School  
Franklin County  
Note to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010**

**1. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the W.C. Cupe Community School under programs financed by the U.S. government for the year ended June 30, 2010. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," using the cash basis of accounting.

For the purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Board of Trustees:

We have audited the financial statements of the W. C. Cupe Community School, Franklin County (the "School") as of and for the year ended June 30, 2010, and have issued a report thereon dated January 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 grants 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 we must report under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, federal awarding agencies and pass-through entities and others within the School. It is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris & Associates, Inc.***

January 5, 2011

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of W. C. Cupe Community School, Franklin County (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School'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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the W. C. Cupe Community School, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of 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 over compliance that might be deficiencies, 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 for the information of the finance committee, management and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

January 5, 2011



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**W. C. CUPE COMMUNITY SCHOOL  
FRANKLIN COUNTY  
June 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA 10.555 National School Lunch Program CFDA 84.389 ARRA Title I Grants to Local Educational Agencies CFDA 84.010 Title I Grants to Local Educational Agencies
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2009, reported no material citations or recommendations.



# Dave Yost • Auditor of State

W.C. CUPE COMMUNITY SCHOOL

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 31, 2011