

***GRANVILLE T. WOODS COMMUNITY SHULE’  
FRANKLIN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2006***

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





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Granville T. Woods Community Shule'  
907 Lexington Avenue  
Columbus, Ohio 43201

We have reviewed the *Report of Independent Accountants* of the Granville T. Woods Community Shule', Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Granville T. Woods Community Shule' is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA  
Auditor of State

August 30, 2007

**This Page is Intentionally Left Blank.**

**GRANVILLE T. WOODS COMMUNITY SHULE’  
FRANKLIN COUNTY  
Audit Report  
For the Year Ending June 30, 2006**

**TABLE OF CONTENTS**

<u>Title</u>	<u>Page</u>
<b>Report of Independent Accountants</b>	<b>1</b>
<b>Management’s Discussion and Analysis</b>	<b>2-5</b>
<b>Statement of Net Assets</b>	<b>6</b>
<b>Statement of Revenues, Expenses and Changes in Net Assets</b>	<b>7</b>
<b>Statement of Cash Flows</b>	<b>8</b>
<b>Notes to the Basic Financial Statements</b>	<b>9-17</b>
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i></b>	<b>18-19</b>
<b>Status of Prior Audit Findings</b>	<b>20</b>

**This Page is Intentionally Left Blank.**

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

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

---

## **REPORT OF INDEPENDENT ACCOUNTANTS**

Granville T. Woods Community Shule'  
Franklin County  
907 Lexington Avenue  
Columbus, Ohio 43201

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Granville T. Woods Community Shule' (the Shule') as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Shule's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Granville T. Woods Community Shule' as of June 30, 2006, 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 2 through 5 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 July 15, 2007 on our consideration of the Shule's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Charles E. Harris & Associates, Inc.*  
July 15, 2007

## **GRANVILLE T. WOODS COMMUNITY SHULE'**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of the Granville T. Woods Community Shule's (the Shule') financial performance provides an overall review of the Shule's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Shule'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 Shule's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard 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 increased \$126,993 in fiscal year 2006. Ending net assets were \$191,248 at June 30, 2006 compared to \$64,255 at June 30, 2005.
- Total assets increased \$117,241, which represents a 197 percent increase from 2005.
- Liabilities decreased \$9,752, which represents a 17 percent decrease from 2005.

### **Using this Financial Report**

This 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.

The statement of net assets presents information on all of the Shule's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Shule' is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Shule's net assets changed from the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.



# GRANVILLE T. WOODS COMMUNITY SHULE'

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006

## Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2006?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and 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.

Table 1 provides a summary of the Shule's net assets for fiscal year 2006 and 2005:

(Table 1)  
**Net Assets**

	<u>2006</u>	<u>2005</u>
Current Assets	\$214,232	\$115,399
Capital Assets, Net	23,679	5,271
Total Assets	<u>237,911</u>	<u>120,670</u>
<b>Liabilities</b>		
Current Liabilities	<u>46,663</u>	<u>56,415</u>
Total Liabilities	46,663	56,415
<b>Net Assets</b>		
Invested in Capital Assets	23,679	5,271
Unrestricted	<u>167,569</u>	<u>58,984</u>
Total Net Assets	<u><u>\$191,248</u></u>	<u><u>\$64,255</u></u>

Total assets increased \$117,241. This increase was due primarily to an increase in non-operating revenues. Current liabilities decreased \$9,752 primarily due to a decrease in accrued payroll.

**GRANVILLE T. WOODS COMMUNITY SHULE'**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006

Table 2 shows the changes in net assets for fiscal year 2006 and fiscal year 2005, as well as a listing of revenues and expenses.

(Table 2)  
**Change in Net Assets**

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Foundation Payments	\$578,711	\$641,180
Food Service	3,983	2,627
Miscellaneous	18,141	3,391
Total Operating Revenues	<u>600,835</u>	<u>647,198</u>
Operating Expenses		
Salaries	408,697	418,051
Fringe Benefits	147,638	124,213
Purchased Services	209,009	189,863
Materials and Supplies	33,574	72,720
Depreciation	1,516	1,239
Other Expenses	3,756	19,474
Total Expenses	<u>804,190</u>	<u>825,560</u>
Operating Loss	(203,355)	(178,362)
Non-Operating Revenues:		
Federal, State and Local Grants	330,348	99,693
Fund Raising	-	11,052
Miscellaneous	-	1,728
Total Non-Operating Revenues	<u>330,348</u>	<u>112,473</u>
Change in Net Assets	126,993	(65,889)
Net Assets Beginning of Year	<u>64,255</u>	<u>130,144</u>
Net Assets End of Year	<u>\$ 191,248</u>	<u>\$ 64,255</u>

# GRANVILLE T. WOODS COMMUNITY SHULE'

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006

Net assets increased by \$126,993 in 2006. Operating revenues decreased \$24,993 or 4% due to a decrease in Foundation payments. Non-operating revenues increased \$217,875 or 293% due to an increase in federal grants in 2006.

## Capital Assets

At the end of fiscal year 2006 the School had \$23,679 invested in furniture, fixtures, and equipment, which represented an increase of \$18,408 from 2005. Table 3 shows fiscal year 2006 and 2005:

(Table 3)  
**Capital Assets at June 30, 2006**  
**(Net of Depreciation)**

	2006	2005
Furniture, Fixtures, and Equipment	\$27,504	\$7,580
Less: Accumulated Depreciation	(3,825)	(2,309)
Totals	<u>\$23,679</u>	<u>\$5,271</u>

For more information on capital assets see Note 5 to the basic financial statements.

## Current Financial Issues

The Granville T. Woods Community Shule' was formed in 2002. During the 2005-2006 school year, there were approximately 92 students enrolled in the Shule'. The Shule' receives most of its revenue from state aide. Per pupil aide for fiscal year 2006 amounted to \$6,290 per student.

## Contacting the Shule's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Shule's finances and to show the Shule's accountability for the money it receives. If you have questions about this report or need additional information contact Carol Rivers, at Granville T. Woods Community Shule', 907 Lexington Avenue, Columbus, Ohio, 43201.

**GRANVILLE T. WOODS COMMUNITY SCHEDULE  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006**

**Assets**

Current Assets

Cash	\$ 214,232
Total Current Assets	<u>214,232</u>

Non-Current Assets

Capital Assets (Net of Accumulated Depreciation)	<u>23,679</u>
Total Assets	<u>\$ 237,911</u>

**Liabilities**

Current Liabilities

Accrued Wages and Benefits	\$ 40,933
Intergovernmental payable	<u>5,730</u>
Total Current Liabilities	<u>46,663</u>

**Net Assets**

Invested in Capital Assets	23,679
Unrestricted	<u>167,569</u>
Total Net Assets	<u>\$ 191,248</u>

The notes to the financial statements are an integral part of this statement.

**GRANVILLE T. WOODS COMMUNITY SHULE'  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

**Operating Revenues**

Foundation payments	\$ 578,711
Food Service	3,983
Miscellaneous	18,141
Total Operating Revenues	<u>600,835</u>

**Operating Expenses**

Salaries	408,697
Fringe Benefits	147,638
Purchased Services	209,009
Supplies and materials	33,574
Depreciation	1,516
Other	3,756
Total Operating Expenses	<u>804,190</u>

Operating (Loss) (203,355)

**Non-operating Revenues**

Federal, State, and Local Grants	<u>330,348</u>
Total Non-Operating Revenues	<u>330,348</u>

Change in Net Assets 126,993

Net Assets Beginning of year	<u>64,255</u>
Net Assets End of year	<u><u>\$ 191,248</u></u>

The notes to the financial statements are an integral part of this statement.

**GRANVILLE T. WOODS COMMUNITY SHULE'  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from State	\$ 578,711
Cash Received from Charges for Services & Other Receipts	22,124
Cash Payments to Employees for Services	(417,251)
Cash Payments for Employee Benefits	(148,836)
Cash Payments to Suppliers for Goods and Services	(246,339)
Net Cash Used for Operating Activities	<u>(211,591)</u>

**Cash Flows from Noncapital Financing Activities**

Grants Received	<u>330,348</u>
Net Cash Provided by Noncapital Financing Activities	<u>330,348</u>

**Cash Flows from Capital and Related Financing Activities**

Payments for Capital Acquisitions	<u>(19,924)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(19,924)</u>

Net Increase in Cash and Cash Equivalents	98,833
Cash beginning of year	<u>115,399</u>
Cash end of year	<u><u>\$ 214,232</u></u>

**Reconciliation of Operating Income to Net Cash Used for Operating Activities**

Operating Loss	\$(203,355)
----------------	-------------

**Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	1,516
Changes in Assets and Liabilities	
Decrease in Intergovernmental Payable	(6,928)
Decrease in Accrued Wages Payable	<u>(2,824)</u>
Total Adjustments	(8,236)

Net Cash Used for Operating Activities	<u><u>\$(211,591)</u></u>
--	---------------------------

The notes to the financial statements are an integral part of this statement.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**NOTE 1 – DESCRIPTION OF THE SHULE' AND REPORTING ENTITY**

Granville T. Woods Community Shule' (the Shule') is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade four. The Shule', which is part of the State's education program, is independent of any School district. The Shule' may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Shule'. Granville T. Woods Community Shule' qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Shule's tax exempt status.

The Shule' was approved for operation under contract with the Ohio State Board of Education (the Sponsor) for a period of five years commencing July 1, 2002. However, the Ohio State Board of Education subsequently decided to suspend its sponsorship of community schools and the Shule' obtained St. Aloysius orphanage as its sponsor for the school year beginning July 1, 2005. This agreement is renewable each year, ending June 30, 2010.

The Shule' operates under the direction of a seven-member Board of Trustees. The Board of Directors 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 Trustees controls the Shule's one instructional/support facility staffed by 2 non-certified and 9 certificated full time teaching personnel who provide services to 95 students.

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

The financial statements of the Shule' 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 Shule' also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements; however the Shule' has elected not to follow any FASB statements or interpretations after November 30, 1989. The more significant of the Shule's accounting policies are described below.

**A. Basis Of Presentation**

The Shule's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**B. 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 statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Shule's finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Shule's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Shule' receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Shule' must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Shule' on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community school's are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the school and its sponsor. The contract between the Shule' and its Sponsor, the Ohio State Board of Education, does not prescribe a budgetary process for the Shule'; therefore no budgetary information is presented in the financial statements.

**E. Cash and Cash Equivalents**

All monies received by the Shule' are maintained in a demand deposit account. For internal accounting purposes, the Shule' segregates its cash. Total cash is presented as "cash" on the accompany statements of net assets.



**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**F. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Shule' maintains a capitalization threshold of one thousand dollars. The Shule' does not possess any infrastructure.

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

Furniture and equipment are depreciated using the straight-line method over the estimated useful life of three to seven years, respectively. Improvements are depreciated over the remaining useful lives of the related capital assets.

**G. Compensated Absences**

Personal leave benefits are accrued as a liability for compensated balances only to the extent such leave is unpaid/unused at year end. It is the policy of the Shule' to payout all unused personal leave to its employees prior to year end. Sick leave benefits and vacation benefits are not accrued as a liability as it is the policy of the Shule' not to pay-out these benefits upon employee termination.

There was no liability for compensated absences at June 30, 2006.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Investments in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Shule' has no debt.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Shule', these revenues are primarily foundation payments from the state. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Shule'. Revenues and expenses not meeting this definition are reported as non-operating.

**J. Contributions of Capital**

Contributions of capital arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The Shule' received no capital contributions during fiscal year 2006.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**K. 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 those estimates.

**NOTE 3 – DEPOSITS**

At fiscal year end, the carrying amount of the Shule's deposits was \$214,232, and the bank balance was \$214,502. Of the bank balance, \$100,000 was covered by federal depository insurance and \$114,502 was uncollateralized.

*Investments:* The Shule' had no investments at June 30, 2006, or during the fiscal year.

**NOTE 4 - RECEIVABLES**

The Shule' had no receivables at June 30, 2006.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006:

	<u>Balance</u> <u>6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/06</u>
Furniture & Equipment	\$7,580	\$19,924	-	\$27,504
Less: Accumulated Depreciation	<u>(2,309)</u>	<u>(1,516)</u>	<u>-</u>	<u>(3,825)</u>
Net Capital Assets	<u>\$5,271</u>	<u>\$2,916</u>	<u>-</u>	<u>\$23,679</u>

**NOTE 6 - RISK MANAGEMENT**

**A. Property and Liability**

The Shule' 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 2006, the Shule' contracted with a commercial carrier for general liability, rental/theft, and directors and officers' liability insurance.

There has been no significant change in insurance coverage from last year. Settled claims have not exceeded commercial coverage in either of the past two years.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**B. Workers' Compensation**

The Shule' pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Shule' 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 Shule' Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Shule' is required to contribute at an actuarially determined rate. The current Shule' rate is 14 percent of annual covered payroll. A portion of the Shule's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 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, up to a statutory maximum amount, by the SERS' Retirement Board. The Shule's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$4,143, \$2,197, and \$2,922, respectively; 100 percent has been contributed for all fiscal years.

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

The Shule' 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, OH 43215-3371 or by calling (614) 227-4090.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Shule' 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 Shule's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$56,149, \$65,178, and \$33,001, respectively; 90% was contributed for 2006 and 100 percent has been contributed for 2005 and 2004.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The Shule' provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. At June 30, 2006 the balance in the fund was \$3.5 billion. Net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit participants. For the Shule', this amount equaled \$4,010 for fiscal year 2006.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Shule', the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$923.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits at June 30, 2006 was 59,492.

**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

All employees are at-will employees and do not have contracts as employees in the traditional school districts.

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

Salaried employees accrue sick time of five (5) days per school year and are awarded two (2) personal days at the beginning of the school year. Employees earn .5 days of sick leave from September through June to be used for personal and family illness. Personal leave is non-accumulating and may be used for any reason in increments of one half hour. Personal leave balances at school year end are paid out at 100% of the employee's hourly rate.

Hourly rate employees do not accrue leave and are paid based upon hours worked only. Upon separation of service, employees are not paid for unused personal or sick leave time.

**B. Insurance Benefits**

The Shule' has contracted with a private carrier to provide employee medical/surgical, dental, and vision benefits. The Shule' pays 80% of the monthly premium and the employee is responsible for the remaining 20%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

**NOTE 10 – OPERATING LEASES-OFFICE AND EDUCATION FACILITIES**

The Shule' leases five classrooms, three offices and the computer lab at 867 Mount Vernon Avenue, Columbus, Ohio. For the access and use of these spaces, the Shule' entered into an operating lease with the Community Arts Project, Inc., dba the Martin Luther King Jr. Performing and Cultural Arts Complex for the period of June 2004 thru June 2005 for a monthly rent of \$4,592 plus the cost of renovations. The lease was renewed for one year in June 2005 for a monthly rent of \$5,255.

The Shule' paid \$62,000 in lease payments for the classroom and office facility for the fiscal year ended June 30, 2006, including certain improvements to the facilities.

The future minimum lease payments for the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2006	<u>\$63,060</u>

There were no scheduled rent increases or rent holiday clauses in the lease agreement.

**NOTE 11 – PURCHASED SERVICES**

For the fiscal period July 1, 2005 through June 30, 2006, purchased service expenses were payments for services rendered by various vendors as follows:

Professional/Technical Services	\$ 68,647
Property Services	64,320
Communications	4,378
Contracted Trade Services	<u>71,664</u>
Total	<u>\$209,009</u>

**GRANVILLE T. WOODS COMMUNITY SHULE'**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

**NOTE 12 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's School funding plan. The decision reaffirmed earlier decisions that Ohio's current School-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a School-funding scheme that is thorough and efficient..." The Shule' is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Shule' 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 Shule'. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Shule' at June 30, 2006.

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the Shule. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Shule' does not anticipate any material adjustments to state funding for fiscal year 2006, as a result of such review.

**C. Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral arguments occurred November 29, 2005. On October 25, 2006, the Ohio Supreme Court ruled that the Community Schools are constitutional.

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

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

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

Granville T. Woods Community Shule'  
Franklin County  
907 Lexington Avenue  
Columbus, Ohio 43201

To the Board of Trustees:

We have audited the financial statements of the Granville T. Woods Community Shule' (the Shule'), as of and for the year ended June 30, 2006, and have issued our report thereon dated July 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Shule's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shule's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

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

July 15, 2007

## STATUS OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ended June 30, 2005, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**GRANVILLE T. WOODS COMMUNITY SHULE', INC.**

**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  
SEPTEMBER 13, 2007**