GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

Groveport Community School
Franklin County
4485 South Hamilton Road
Groveport, Ohio 43125

To the Board of Directors:

We have audited the accompanying basic financial statements of Groveport Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2007 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 did not audit the Management Company Expenses Note of the School. Other auditors audited that Note of the School. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the Management Company Expenses Note on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Groveport Community School, Franklin County, Ohio, as of June 30, 2007, 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.

As discussed in Note 14 to the financial statements, the School experienced certain financial difficulties during the year.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2008 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 8, 2008

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the Groveport Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments". Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the School comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets were at a deficit of $206,031 at June 30, 2007.

- The School had operating revenues of $1,439,787, operating expenses of $1,937,459 and non-operating revenues of $291,641 for fiscal year 2007. Total change in net assets was a decrease of $206,031. This decrease was due to the School outstanding debt with Imagine Schools, Inc. for Development Allocation in the amount $250,000.

Using these Basic Financial Statements

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

Reporting the School's Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The table below provides a summary of the School's net assets for the fiscal year ended June 30, 2007. This is the School's first year of operation, comparative information is not available.

Net Assets

	2007
Assets	
Current Assets	$ 16,965
Capital Assets, Net of Accumulated Depreciation	29,766
Total Assets	46,731
Liabilities	
Current Liabilities	252,762
Net Assets	
Invested in Capital Assets	29,766
Unrestricted (deficit)	(235,797)
Total Net Assets (deficit)	$ (206,031)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the School's net assets totaled a deficit of $206,031.

Current assets represent cash and an intergovernmental receivable for the food service program. Liabilities of $2,762 represent the amount due to the Ohio Department of Education and the remaining amount represents the amount due to the Imagine Schools, Inc. at fiscal year-end for the Development Allocation fee of $250,000.

At fiscal year-end, capital assets represented 63.70% of total assets. The School purchased $33,015 in capital assets during fiscal year 2007. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

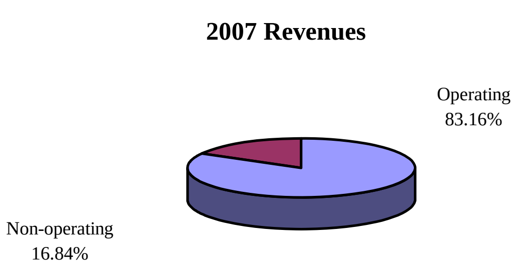
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)

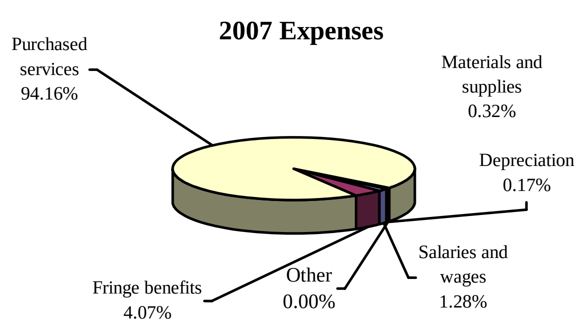
The table below shows the changes in net assets for fiscal year 2007.

Change in Net Assets

	2007
Operating Revenues:	
Sales	$ 13,716
State foundation	1,421,919
Other	4,152
Total Operating Revenue	1,439,787
Operating Expenses:	
Salaries and wages	24,753
Fringe benefits	78,872
Purchased services	1,824,251
Materials and supplies	6,257
Depreciation	3,249
Other	77
Total Operating Expenses	1,937,459
Non-operating Revenues:	
Federal and state grants	291,641
Total Non-Operating Revenues	291,641
Decrease in Net Assets	(206,031)
Net Assets at Beginning of Year	-
Net Assets at End of Year	$ (206,031)

The charts below illustrate the revenues and expenses for the School for fiscal year 2007.





This is the initial year of operation for the School; therefore, fiscal year 2006 financial information is not available for inclusion in the discussion and analysis and no comparison between current and prior year can be analyzed. Additionally, the School operates as a one business-type enterprise fund; therefore, analysis of balances and transactions of individual funds is not included in the discussion and analysis. Results of fiscal year 2007 operations indicate a decrease in net assets of $206,031 and corresponding ending net assets of $(206,031).

Capital Assets

At June 30, 2007, the School had $29,766 invested in capital assets net of accumulated depreciation. See Note 5 to the basic financial statements for more detail on capital assets.

Debt

At June 30, 2007 the School had $ 250,000 in a related party contracts payable. See Note 10 to the basic financial statements for more detail on contracts payable.

Budget

Pursuant to Ohio Revised Code Chapter 5705, the School prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. The School will from time to time adopt budget revisions as necessary.

Restrictions and Other Limitations

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

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

Current Financial Related Activities

The School is sponsored by St. Aloysius Orphanage. The School is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Arlene Wilson, Treasurer, Charter School Specialists, 4485 S. Hamilton Rd., Groveport, Ohio 43125.

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:	
Current Assets:	
Cash	$ 5,604
Receivables:	
Intergovernmental	11,361
Total Current Assets.	16,965
Non-Current Assets:	
Capital Assets, Net of Accumulated Depreciation . .	29,766
Total Assets	46,731
Liabilities:	
Current Liabilities:	
Related Payable Contracts Payable.	250,000
Intergovernmental Payable	2,762
Total Current Liabilities	252,762
Net Assets:	
Invested in Capital Assets	29,766
Unrestricted (deficit)	(235,797)
Total Net Assets (deficit).	$ (206,031)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating Revenues:	
Sales.	$ 13,716
State foundation.	1,421,919
Other.	4,152
Total Operating Revenue	1,439,787
Operating Expenses:	
Salaries and wages	24,753
Fringe benefits.	78,872
Purchased services.	1,824,251
Materials and supplies	6,257
Depreciation	3,249
Other.	77
Total Operating Expenses.	1,937,459
Operating Loss	(497,672)
Non-Operating Revenues:	
Federal and state grants	291,641
Total non-operating revenues	291,641
Decrease in Net Assets	(206,031)
Net Assets at Beginning of Year.	-
Net Assets at End of Year.	$ (206,031)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash flows from Operating Activities:	
Cash received from Sales	$ 13,716
Cash received from State Foundation	1,421,919
Cash received from Other Operations	4,152
Cash payments for Salaries and Wages	(24,753)
Cash payments for Fringe Benefits	(78,872)
Cash payments to Suppliers for Goods and Services. . .	(1,571,489)
Cash payments for Materials and Supplies	(6,257)
Cash payments for Other Expenses	(77)
Net Cash Used in Operating Activities	(241,661)
Cash flows from Noncapital Financing Activities:	
Federal and State Subsidies	280,280
Net Cash Provided by Noncapital Financing Activities	280,280
Cash flows from Capital Assets Activities:	
Acquisition of Capital Assets	(33,015)
Net Cash Used in Capital Activities	(33,015)
Net Increase in Cash and Cash Equivalents	5,604
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	$ 5,604
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	$ (497,672)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation.	3,249
Changes in Assets and Liabilities:	
Increase in Related Party Contracts Payable	250,000
Increase in Intergovernmental Payable	2,762
Net Cash Used in Operating Activities	$ (241,661)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL

The Groveport Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing educational services to establish a new start-up school in Groveport City School District addressing the needs of students in grades K-8. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved under contract with the St. Aloysius Orphanage (the "Sponsor") on March 15, 2006 for a period of five years and ending on June 30, 2010. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a five-member Board of Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the School. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board controls the School's intructional/support facility staffed by employees of the management company who provide services to 264 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental non profit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

A. Basis of Presentation

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

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

B. Measurement Focus

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

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

C. Basis of Accounting

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

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the School is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis. Each year, on or before June 30, a revised budget shall be submitted to the Sponsor.

E. Cash

Cash held by the School is reflected as "Cash" on the statement of net assets. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. During the year ended June 30, 2007, the School did not have any investments.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School maintains a capitalization threshold of $1,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over five years and other equipment is depreciated over ten years.

G. Net Assets

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

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

H. Intergovernmental Revenues

The School currently participates in the State Foundation, Special Education IDEA, Title I Targeted Assistance, Title II-A Improving Teacher Quality, Title II-D Technology, Federal Meal Reimbursement, and Public Charter Schools Programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue received during fiscal year 2007 was $291,641.

I. Operating Revenues and Expenses

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

J. Accrued Liabilities and Long-Term Obligation

All payables and other accrued liabilities are reported on the Statement of Net.

K. Estimates

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

NOTE 3 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2007, the carrying amount of the School's deposits was $5,604 and the bank balance was $12,543. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 4 - RECEIVABLES

At June 30, 2007, receivables consisted of an intergovernmental receivable of $11,361 in federal reimbursements for the food service program. The receivable is expected to be collected in full within one year.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for fiscal year 2007 was as follows:

	Balance at June 30, 2006	Additions	Disposals	Balance at June 30, 2007
Furniture and equipment	$ -	$ 33,015	$ -	$ 33,015
Less: accumulated depreciation	-	(3,249)	-	(3,249)
Capital assets, net	$ -	$ 29,766	$ -	$ 29,766

NOTE 6 - PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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 statutory maximum amounts, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for fiscal year 2007 were $27,329; 100 percent has been contributed for the fiscal year June 30, 2007.

B. State Teachers Retirement System

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, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times 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.

NOTE 6 - PENSION PLANS - (Continued)

B. State Teachers Retirement System (Continued)

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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for fund pension obligations to STRS Ohio for the fiscal year ended June 30, 2007 were $35,627; 100 percent has been contributed for the fiscal year ended June 30, 2007.

NOTE 7 - POSTEMPLOYMENT BENEFITS

The School 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 funded on a pay-as-you-go basis.

All STRS Ohio 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 Ohio. All benefit recipients pay a portion of 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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $2,741 for the fiscal year ended June 30, 2007.

NOTE 7 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was $3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were $282.743 million and STRS had 119,184 eligible benefit recipients.

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.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the fiscal year ended June 30, 2007 the School paid $8,496 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were $158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of $295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 8 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School maintained general liability insurance with a $1,000,000 single occurrence limit and $3,000,000 annual aggregate and an umbrella policy extending coverage as broad as primary coverage in the amount of $9,000,000. The School also maintains directors and officers liability/errors and omissions coverage in the amount of $500,000 per occurrence.

NOTE 9 - PURCHASED SERVICES

For fiscal year 2007, purchased services expenses were as follows:

Professional and Technical Services	$ 1,797,678
Board Member Services	23
Fiscal Services	26,550
Total	$ 1,824,251

NOTE 10 - CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on March 16, 2006 and continuing through June 30, 2011 with St. Aloysius Orphanage (the “Sponsor”) for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the School’s compliance with the Contract with the Sponsor and the laws applicable to the School.

- Monitor and evaluate the academic, fiscal, and organizational performance of the School on at least an annual basis, and evaluate the academics of the School for a period of at least three school years and provide the results of students enrolled at the School.

- Provide reasonable technical assistance to the School.

- As permitted by law, intervene in the School’s operation to correct problems in the School’s overall performance, declare the School to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non renew this contract pursuant to Oho Revised Code Section 3314.07, as determined necessary by the Sponsor.

- Establish and/or require a plan of action to be undertaken if the School experiences financial difficulties or losses before the end of the school year.

The School paid the Sponsor $42,658 for services during fiscal year 2007.

B. Management Contract / Related Party

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

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

For the services listed above, the School is required to pay a fee to Imagine Schools, Inc. The fee is equal to approximately 90% of the total per pupil allowance received from the State of Ohio and of state and/or federal grant funds received by the School for the creation and operation of its school. Payments to Imagine Schools, Inc. amounted to $1,545,922 during fiscal year 2007.

The School owes Imagine Schools, Inc. $250,000 at June 30, 2007 towards the $250,000 Development Allocation fee per the contract. There were no payments made by the School during fiscal year 2007, and a liability has been reported in contracts payable on the basic financial statements.

NOTE 10 – CONTRACTS (Continued)

C. Service Contract

The School entered into a service contract with Charter School Specialists, LLC (CSS), to provide fiscal, student data, and Comprehensive Continuous Planning (CCIP) consulting services. The School paid CSS $26,550 in service fees for fiscal year 2007.

NOTE 11 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2007, Imagine Schools, Inc. and its affiliates incurred the following direct expenses on behalf of the School:

Expenses	2007
Direct Expenses:	
Salaries and wages	$ 614,000
Employees' benefits	103,750
Purchased services	918,701
Supplies and materials	27,752
Other direct costs	71,372
Total expenses	$ 1,735,575

Imagine Schools, Inc. accounting system does not assign indirect costs to it schools; therefore the expenses above do not include indirect costs the management company may have incurred on behalf of the School.

NOTE 12 - OPERATING LEASES

The School entered into a lease agreement on August 1, 2006, with Schoolhouse Finance, LLC to lease classroom space for the School. The term of the lease commenced August 15, 2006, and shall continue through June 30, 2021. Thereafter the lease shall automatically renew for up to two consecutive five year terms, unless written notice of intent not to extend is delivered by either party at least one hundred eighty days prior to the end of the initial term or the first renewal term. The School shall pay to Schoolhouse Finance, LLC $439,769 in annual base rent payable in advance in monthly installments of one-twelfth each on the fifth day of each month of the term.

NOTE 13 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2007.

NOTE 13 – CONTINGENCIES (Continued)

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the School owed the Ohio Department of Education $2,762 which is reflected on the basic financial statements as an intergovernmental payable.

NOTE 14 - MANAGEMENT PLAN

At June 30, 2007, the School had deficit net assets of ($206,031) and an operating loss of $497,672. As further discussed in Note 10, the School had a payable of $250,000 to Imagine Schools, Inc. As of September 1, 2008, the School's cash balance is $16,333, and enrollment is 1,179 with a waiting list.

The School had no management plan in place for fiscal year ended June 30, 2007. Projected revenues and expenditures for fiscal year ended 2008 indicate these financial difficulties will not be eliminated during 2008 but may be eliminated in fiscal year 2009.

NOTE 15 - FEDERAL TAX STATUS

The School is in the process of obtaining their tax exempt status. The application was filed on February 27, 2007 and additional information was filed on January 7, 2008.

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Mary Taylor, CPA
Auditor of State

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

Groveport Community School
Franklin County
4485 South Hamilton Road
Groveport, Ohio 43125

To the Board of Directors:

We have audited the basic financial statements of Groveport Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 8, 2008, wherein we noted the School was experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the Management Company Expenses Note of the School. This report does not include the results of the other auditors' testing of internal control over financial reporting that those auditors separately reported.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2007-001 through 2007-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is also material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated September 8, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of finding as item 2007-001.

We also noted a certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated September 8, 2008.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management, Board of Directors, and St. Aloysius Orphanage. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 8, 2008

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

Finding Number	2007-001

Administrative Allocation – Material Noncompliance / Significant Deficiency

Pursuant to Article V, Section I of the Charter School's Operating Agreement with the Management Company, the administrative allocation shall be paid monthly, in an amount equal to one-twelfth ($1/12^{th}$) of the annual budgeted amount. On or before July 31 of each year, Management Company shall provide the Board a reconciliation of actual revenues for the immediately preceding the fiscal year. Any shortfall of administrative allocation shall be immediately paid to the Management Company and any overpayment shall be applied first to payment of any outstanding Operating Advances, next to pre-payment of any promissory notes between the Board and Management Company, and last to Administrative Allocation due for the then current fiscal year.

The Management Company did not provide the Board with a reconciliation of actual revenues to budget revenues for the immediately preceding the fiscal year. This could lead to unrecorded liabilities or receivables on the School annual financial report.

We recommend that the Board request a reconciliation of actual revenues to budgeted revenues for the immediately preceding the fiscal year and record any related accrual journal entries. In addition, we recommend that the Board indicate their review and approval of the reconciliation within the minutes.

Officials' Response:
The School has requested a reconciliation of actual revenues to budgeted revenues for the preceding fiscal year after any audit adjustments. The School is also considering a more frequent request for such reconciliation to be reviewed quarterly.

Finding Number	2007-002

Financial Reporting - Significant Deficiency / Material Weakness

The School contracts with Charter School Specialists for treasury services. At year-end the cash basis information from the accounting system is converted into financial statements reported under Generally Accepted Accounting Principles. The School contracts with an outside accounting firm for basic financial statement and footnote preparation.

Modifications and reclassifications were necessary to the School's basic financial statements to accurately reflect account balances. These modifications ranged in dollar amount from $2,707 to $250,000. Errors include unrecorded capital assets, unrecorded liabilities, and incorrectly recorded liabilities. In addition, footnote disclosures were not originally presented for capital assets, operating leases and Management Company expenses (as required by Auditor of State Bulletin 2004-009).

We recommend the School implement additional procedures to provided assurance over the completeness and accuracy of information reported within the financial statements and footnotes to the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

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

Finding Number	2007-002 (Continued)

Officials' Response:
The School is reviewing options to implement additional controls including a request of the Management Company auditors to provide additional information

Finding Number	2007-003

Capital Asset Policy - Significant Deficiency

The School did not have a Capital Asset policy and did not maintain a Capital Asset Listing. This weakness resulted in the School not initially reporting Capital Assets on their financial statements or in their footnote disclosures. During the audit, the School adjusted the financial statements to include capital assets in the amount of $29,766. We noted errors in the amount posted for accumulated depreciation totaling $2,707. This amount was not posted to the School's accounting or financial statement amounts.

We recommend the School adopt a Capital Asset Policy. This policy should be approved by the Board and at a minimum establish a threshold for capitalization, establish useful lives by class, and establish procedures for adding and disposing of capital assets. This policy should also include a requirement that capital asset listings are reviewed annually for items on hand that were not included and for items that are no longer in the possession of the School.

Officials' Response:
The School adopted a Fixed Asset Policy at its June 12, 2008 meeting. The Policy includes threshold for capitalization, useful lives by class and a requirement that the list be reviewed on an annual basis. In addition, one of the audit committee's responsibilities is to ensure compliance with such policy.

Finding Number	2007-004

Bank Reconciliations – Significant Deficiency

Formal monthly bank to book reconciliations were only performed by the Treasurer for seven out of the twelve months for the fiscal year. In addition, there was no indication the reconciliations were reviewed by an outside party.

Lack of formal monthly bank reconciliations could lead to discrepancies between the School's accounting system and bank account including unrecorded transactions. In addition, review and approval of reconciliations by an outside party provides accountability to the accuracy of the financial information being recorded on the accounting system and, ultimately, reported on the financial statements.

We recommend formal bank to book reconciliations be performed for each month by the Treasurer. These reconciliations should be approved by the board on a monthly basis and acknowledged in the Board minutes.

Officials' Response:
The Board of Directors' licensed Treasurer is performing bank to book reconciliations each month and the Board of Directors is reviewing the reconciliations at the Board meetings.

Mary Taylor, CPA
Auditor of State

GROVEPORT 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
NOVEMBER 6, 2008

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