

GAHANNA ALTERNATIVE COMMUNITY SCHOOL
(A Component Unit of Gahanna-Jefferson Public School District)

INITIAL AUDIT

**FOR THE PERIOD AUGUST 27, 2008
THROUGH JUNE 30, 2009**



Mary Taylor, CPA

Auditor of State

Board of Education
Gahanna Alternative Community School
140 South Hamilton Road
Gahanna, Ohio 43230

We have reviewed the *Independent Accountants' Report* of the Gahanna Alternative Community School, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period August 27, 2008 through June 30, 2009. 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 Gahanna Alternative Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 26, 2009

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GAHANNA ALTERNATIVE COMMUNITY SCHOOL
(A Component Unit of Gahanna-Jefferson Public School District)
FRANKLIN COUNTY, OHIO
FOR THE PERIOD AUGUST 27, 2008
THROUGH JUNE 30, 2009

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INDEPENDENT ACCOUNTANTS' REPORT

Gahanna Alternative Community School
Franklin County
160 South Hamilton Road
Gahanna, Ohio 43230

To the Board of Education:

We have audited the accompanying basic financial statements of the Gahanna Alternative Community School, Franklin County, Ohio (the School), a component unit of the Gahanna Jefferson City School District, as of and for the period August 27, 2008 through June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gahanna Alternative Community School, as of June 30, 2009, and the changes in its financial position and its cash flows for the period August 27, 2008 through June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2009 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis 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.



Kennedy Cottrell Richards LLC

September 1, 2009

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009
(UNAUDITED)**

The discussion and analysis of the Gahanna Alternative Community School (the "School") financial performance provides an overall review of the School's financial activities for the period August 27, 2008 through June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the period are as follows:

- In total, net assets were \$5,536 at June 30, 2009.
- The School had operating revenues of \$157,792 and non-operating revenue of \$158,367. The operating expenses were \$310,623 for the period August 27, 2008 through June 30, 2009. Total change in net assets for the period was \$5,536.

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.

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

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

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

Comparative analysis will be provided next year comparing the prior period to the current fiscal year.

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009
(UNAUDITED)**

The table below provides a summary of the School's assets, liabilities and net assets as of June 30, 2009.

Assets, Liabilities and Net Assets

	<u>2009</u>
Assets	
Current assets	\$ 125,766
Non-current assets, net	<u>16,032</u>
Total assets	<u>141,798</u>
Liabilities	
Current liabilities	<u>136,262</u>
Total liabilities	<u>136,262</u>
Net Assets	
Invested in Capital Assets	16,032
Unrestricted	<u>(10,496)</u>
Total net assets	\$ <u>5,536</u>

Current Assets were \$125,766 with \$16,032 in non-current assets during the period August 27, 2008 through June 30, 2009. The School's cash balance at June 30, 2009, was \$120,399 with \$5,367 in intergovernmental receivables.

At June 30, 2009, capital assets represented 11.30% of total assets. Capital assets consisted of furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

Current liabilities were \$136,262 at June 30, 2009. The School had no long term liabilities as of June 30, 2009.

The table below shows the changes in net assets for the period August 27, 2008 through June 30, 2009:

Change in Net Assets

	<u>2009</u>
<u>Operating Revenues:</u>	
Instructional Fees	\$ 225
Foundation Payments	157,567
<u>Non-Operating Revenues:</u>	
State Subsidies	3,000
Federal Subsidies	<u>155,367</u>
Total revenue	<u>316,159</u>
<u>Operating Expenses:</u>	
Purchased Services	279,649
Materials & Supplies	28,655
Depreciation	2,219
Miscellaneous	<u>100</u>
Total operating expenses	310,623
Change in net assets	5,536
Net assets at beginning of year	<u>0</u>
Net assets at end of year	\$ <u>5,536</u>

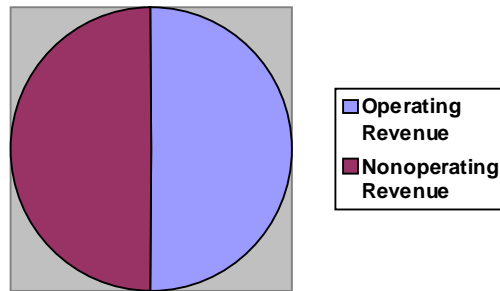
**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009
(UNAUDITED)**

The School had operating revenues of \$157,792. This is made up of \$225 from instructional fees and \$157,567 from foundation payments. Non-operating State subsidy revenues were \$3,000. This was provided to the School due to the enrollment of 25 students at June 30, 2009. Non-operating Federal subsidy revenues were \$155,367. This was provided to the School as a start up grant.

The School had total operating expenses of \$310,623. This was made up of \$279,649 from purchased services, \$28,655 from materials and supplies, \$2,219 from capital asset depreciation and \$100 in miscellaneous expenses. The School had most of their expenses from purchased services due to the sharing of staff and services from their sponsor, Gahanna–Jefferson Public School.

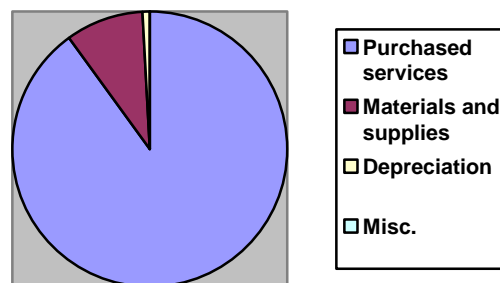
The charts below illustrate the revenues for the School during fiscal 2009.

2009 Revenue



The charts below illustrate the expenses for the School during fiscal 2009.

2009 Expenses



Capital Assets

At June 30, 2009, the School had \$16,032 invested in materials and computer equipment. The School had capital asset additions of \$18,251 and \$2,219 in depreciation expense for the year. See Note 4 to the basic financial statements for more detail on capital assets.

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009
(UNAUDITED)**

Current Financial Related Activities

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

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julio Valladares, Treasurer of Gahanna-Jefferson Public Schools, 160 S. Hamilton Road Gahanna, Ohio 43230.

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Net Assets
June 30, 2009**

Assets

Current Assets

Cash and Cash Equivalents	\$ 120,399
Intergovernmental Receivable	<u>5,367</u>
Total Current Assets	<u>125,766</u>

Non-Current Assets

Capital Assets (Net of Accumulated Depreciation)	<u>16,032</u>
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Total Assets	<u><u>\$ 141,798</u></u>
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Liabilities

Current Liabilities

Accounts Payable	<u>136,262</u>
Total Liabilities	<u>136,262</u>

Net Assets

Invested in Capital Assets	16,032
Unrestricted	<u>(10,496)</u>
Total Net Assets	<u><u>\$ 5,536</u></u>

The accompanying Notes are an integral part of the Financial Statements

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Revenues, Expenses and Changes in Net Assets
For The Period August 27, 2008 Through June 30, 2009**

Operating Revenues	
Instructional Fees	\$ 225
Foundation Payments	157,567
Total Operating Revenues	<u>157,792</u>
Operating Expenses	
Purchased Services	279,649
Materials & Supplies	28,655
Depreciation	2,219
Miscellaneous	100
Total Operating Expenses	<u>310,623</u>
Operating Loss	(152,831)
Non-Operating Revenues	
State subsidies	3,000
Federal subsidies	155,367
Total Non-Operating Revenues	<u>158,367</u>
Change in Net Assets	5,536
Net Assets Beginning of Year	-
Net Assets End of Year	<u>\$ 5,536</u>

The accompanying Notes are an integral part of the Financial Statements

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Cash Flows
For The Period August 27, 2008 Through June 30, 2009**

Cash Flows from Operating Activities

Cash received from Instructional Fees	\$ 225
Cash received from Foundation Payments	157,567
Cash payments for Contract Services	(143,387)
Cash payments for Supplies and Materials	(28,655)
Cash payments for Miscellaneous	(100)
Net Cash Used for Operating Activities	<u>(14,350)</u>

Cash Flows from Noncapital Financing Activities

Cash from Federal & State Subsidies	<u>153,000</u>
Net Cash from Noncapital Financing Activities	<u>153,000</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(18,251)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(18,251)</u>

Net decrease in cash and cash equivalents :	120,399
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 120,399</u></u>

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

Operating Loss	\$ (152,831)
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**Adjustments to Reconcile Operating Loss to Net
Cash Used for Operating Activities**

Depreciation	2,219
Changes in Assets and Liabilities:	
Accounts Payable	<u>136,262</u>
Total Adjustments	<u>138,481</u>
Net cash (Used for) operating activities	<u><u>\$ (14,350)</u></u>

The accompanying Notes are an integral part of the Financial Statements

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009**

NOTE 1 – DESCRIPTION OF THE SCHOOL

The Gahanna Alternative Community School (the "School") is a nonprofit corporation established during the 2008-09 school year, pursuant to Ohio Revised Code Chapter 3314.07. The School is an approved tax-exempt organization under Section 501(C) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School specializes in providing educational services to chosen students through unique learning methods like web-based learning, community service, independent study and internships. The School, which is part of the state's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations.

The School is a discretely presented component unit of the Gahanna-Jefferson Public School District (Sponsor). The School was approved under contract with the Gahanna-Jefferson Public School for a period of three years commencing August 27, 2008. This is the first year of the School's operations. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The School contracts with its sponsor for 2 non-certified staff members and 6 certificated teaching personnel who provide services to 25 students. The School is expecting the number of students to grow to 75 during the 2009-2010 school year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The School has elected not to apply these FASB Interpretations. The School has 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 single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009

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

B. Measurement Focus and Basis of Accounting

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

C. Basis of Accounting

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

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code (ORC) Section 5705, except House Bill 364, which took effect April 8, 2003, added ORC Section 3314.03 (11)(d), which states that community schools must comply with ORC Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than May 31 and October 31 of each year.

E. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the statement of net assets. The School did not have any investments during the period ended June 30, 2009.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School has maintained a capitalization threshold of \$500. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expended when incurred.

All capital assets above the threshold are depreciated and depreciation is computed using the straight-line method. Computers are depreciated over 3 years; furniture and equipment are depreciated over 10 years.

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School has no restricted assets for the fiscal year ended June 30, 2009. The School's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

H. 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.

I. Intergovernmental Revenue

The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under The State Foundation Program for fiscal year 2009 totaled \$157,567.

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 for the fiscal year 2009 totaled \$158,367.

J. Estimates

The preparation of financial statements in conformity with GAAP principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement 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, 2009, the carrying amount of the School's deposits was \$120,399 and the bank balance was \$122,357. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investments of funds by the School.

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at <u>6/30/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/09</u>
Equipment	\$ -	\$ 18,251	\$ -	\$ 18,251
Less: Accumulated Depreciation	<u>-</u>	<u>2,219</u>	<u>-</u>	<u>2,219</u>
Capital assets, net	\$ -	\$ 16,032	\$ -	\$ 16,032

NOTE 5 - RECEIVABLES

At June 30, 2009, the School had Intergovernmental receivables of \$5,367 which are considered collectible within one year and presented on the statement of net assets.

NOTE 6 – RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The policy was written under the Sponsors name and the School is responsible for the payment of such policy. In fiscal year 2009, the School was within the Sponsors building “B” property. During the period ended June 30, 2009, the School contracted with Palmer Miller Nelson Insurance Agency, Inc as follows:

<u>Insurance Type</u>	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability	\$1,000,000 each occurrence	\$ -
Property Liability	1,000,000	500
Automobile Liability	1,000,000 each accident	-

NOTE 7 – PURCHASED SERVICES

For the fiscal year ended June 30, 2009, purchased services expenses were as follows:

Instructional services	\$252,302
Counseling services	5,656
Fiscal services	204
Communication services	13,987
Data processing services	<u>7,500</u>
Total Purchase services	<u>\$279,649</u>

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009**

NOTE 8 – CONTINGENCIES

A. Grants

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2009.

B. State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state funding is calculated. The conclusions of this review could result in state funding being adjusted. The School has yet to have an FTE review performed.

NOTE 9 – SPONSORSHIP

The School is a discretely presented component unit of the Gahanna-Jefferson Public School District. As described in Note 1, the Gahanna-Jefferson Public School District (Sponsor) is the School Sponsor. The Sponsor and School entered into a three-year sponsorship agreement commencing August 27, 2008 whereby terms of the sponsorship were established.

In fiscal year 2009, payments made by the School to the Sponsor totaled \$122,984, which are reported in purchased services. This represents contract service payments for teaching, furniture and equipment, and other related services provided by the Sponsor.

NOTE 10 – SIGNIFICANT SUBSEQUENT EVENT

During the fiscal year 2010, the School will be moving its location. The Sponsor will be leasing two modular units for the next two years. The lease will be through the Gahanna Jefferson Public School, the Sponsor, but the Community School will be paying for the lease payments on a monthly installment. These units will be located adjacent to the High School for the convenience of both the students and teachers.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Gahanna Alternative Community School
160 South Hamilton Road
Gahanna, Ohio 43230

We have audited the financial statements of the Gahanna Alternative Community School, Franklin County, Ohio (the School), a component unit of the Gahanna Jefferson City School District, as of and for the period August 27, 2008 through June 30, 2009, and have issued our report thereon dated September 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion 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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 is required to be reported under *Government Auditing Standards*.

The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management of the Gahanna Alternative Community School, and is not intended to be and should not be used by anyone other than these specified parties.



KENNEDY COTTRELL RICHARDS LLC

September 1, 2009

**GAHANNA ALTERNATIVE COMMUNITY SCHOOL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD AUGUST 27, 2008 THROUGH JUNE 30, 2009**

2009-1 SIGNIFICANT DEFICIENCY: FINANCIAL REPORTING

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the School. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

We identified misstatements in the School's financial statements related to the classification of net assets and with proper disclosure in the notes to the financial statements.

We provided adjusting entries to the Treasurer that were posted and subsequently corrected the misstatements. The misstatements are an indicator the School needs to improve or strengthen their existing control procedures related to financial reporting.

We recommend the School consider modifying the existing control procedures over the financial reporting process to include a detailed review of the financial statements and the related journal entries. The review should be conducted by an individual that is knowledgeable of generally accepted accounting principles and the review should take place prior to the start of the audit.

Views of Responsible Officials

The District has acknowledged the deficiency found in the financial reporting. It is felt that the audit adjustment made in order to state the Net Assets in accordance with GAAP principles was more of a formatting adjustment than a deficiency in the internal control structure of the financial reporting. The District does contract with a GAAP knowledgeable individual, which reviews all financial reporting conducted by management and the Treasurer. In the coming year the District will strongly try to eliminate the misstatements and modify the existing control procedures throughout the financial reporting.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Gahanna Alternative Community School
Franklin County
160 South Hamilton Road
Gahanna, Ohio 43230

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether the Gahanna Alternative Community School, Franklin County, Ohio (the School), has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board.3 Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on August 11, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. We read the policy, noting it did not include the following requirement from Ohio Rev. Code Section 3313.666(B):
- (1) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Kennedy Cottrell Richards LLC

September 1, 2009



Mary Taylor, CPA
Auditor of State

**GAHANNA ALTERNATIVE 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 5, 2009**