



**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## 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, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of Groveport Community School, Franklin County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School is experiencing financial difficulties. Those difficulties and management plans are discussed in Note 16 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2010, 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.

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 28, 2010

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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, 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 2009 are as follows:

- In total, net assets were a deficit of \$224,448 at June 30, 2009.
- The School had operating revenues of \$6,195,504, operating expenses of \$6,791,002 and non-operating revenues and expenses of \$597,013 and \$4,353, respectively, for fiscal year 2009. Total change in net assets was a decrease of \$2,838.

**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 2009?" 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.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The table below provides a summary of the School's net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

<b>Net Assets</b>		
	<u>2009</u>	<u>2008</u>
<b><u>Assets</u></b>		
Current assets	\$ 60,453	\$ 15,139
Capital assets, net	<u>16,770</u>	<u>23,268</u>
Total assets	<u>77,223</u>	<u>38,407</u>
<b><u>Liabilities</u></b>		
Current liabilities	52,318	10,017
Long-term liabilities	<u>249,353</u>	<u>250,000</u>
Total liabilities	<u>301,671</u>	<u>260,017</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	16,770	23,268
Unrestricted (deficit)	<u>(241,218)</u>	<u>(244,878)</u>
Total net assets (deficit)	<u>\$ (224,448)</u>	<u>\$ (221,610)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School's net assets totaled a deficit of \$224,448.

Current assets represent cash and intergovernmental receivables. Current liabilities of \$52,318 represent the amounts due at June 30, 2009 for professional services provided. The \$249,353 long-term liability represents the amount due to the Imagine Schools, Inc. at fiscal year-end for the Development Allocation fee (see Note 7 for detail).

At fiscal year-end, capital assets represented 21.72% of total assets. Capital assets consist 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.



**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2009 and 2008. Fringe benefits expenses reported in fiscal year 2008 have been reported in purchased services to conform to fiscal year 2009 presentation.

**Change in Net Assets**

	2009	2008
<b><u>Operating Revenues:</u></b>		
Sales	\$ 22,966	\$ 22,748
State foundation	6,172,538	2,446,965
Total operating revenue	<u>6,195,504</u>	<u>2,469,713</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	6,771,061	2,809,448
Depreciation	6,498	6,498
Other	13,443	10,960
Total operating expenses	<u>6,791,002</u>	<u>2,826,906</u>
<b><u>Non-operating Revenues (Expenses):</u></b>		
Federal and state grants	597,013	341,614
Interest expense	(4,353)	-
Total non-operating revenues	<u>592,660</u>	<u>341,614</u>
Change in net assets	(2,838)	(15,579)
Net assets (deficit) at beginning of year	<u>(221,610)</u>	<u>(206,031)</u>
Net assets (deficit) at end of year	<u>\$ (224,448)</u>	<u>\$ (221,610)</u>

Sales, state foundation revenue, federal and state grants, purchased services, and other expenses have increased during fiscal year 2009 as a result of increased enrollment. Enrollment increased from 363 students in fiscal year 2008 to 735 students in fiscal year 2009. Other expenses have increased due to audit costs of the fiscal year 2008 financial statements.

**Capital Assets**

At June 30, 2009, the School had \$16,770 invested in equipment. See Note 6 to the basic financial statements for detail on capital assets.

**Debt**

At June 30, 2009, the School had \$249,353 in a related party contracts payable which is reported as a long-term liability. See Note 7 to the basic financial statements for more detail.

**Restrictions and Other Limitations**

The future 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.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

**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 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 Mr. Robert Lotz, Treasurer, Charter School Specialists, 4485 S. Hamilton Rd., Groveport, Ohio 43125.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>Assets:</b>	
Current assets:	
Cash . . . . .	\$ 14,199
Receivables:	
Intergovernmental . . . . .	<u>46,254</u>
Total current assets. . . . .	<u>60,453</u>
Non-current assets:	
Capital assets, net. . . . .	<u>16,770</u>
Total assets . . . . .	<u>77,223</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	<u>52,318</u>
Total current liabilities . . . . .	<u>52,318</u>
Long-term liabilities:	
Due within one year . . . . .	3,968
Due in more than one year. . . . .	<u>245,385</u>
Total long-term liabilities . . . . .	<u>249,353</u>
Total liabilities . . . . .	<u>301,671</u>
 <b>Net Assets:</b>	
Invested in capital assets . . . . .	16,770
Unrestricted (deficit) . . . . .	<u>(241,218)</u>
Total net assets (deficit). . . . .	<u>\$ (224,448)</u>

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, 2009**

**Operating revenues:**

Sales. . . . .	\$	22,966
State foundation. . . . .		6,172,538
Total operating revenue . . . . .		<u>6,195,504</u>

**Operating expenses:**

Purchased services. . . . .		6,771,061
Depreciation . . . . .		6,498
Other. . . . .		13,443
Total operating expenses. . . . .		<u>6,791,002</u>

Operating loss . . . . .		<u>(595,498)</u>
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**Non-operating revenues (expenses):**

Federal and state grants . . . . .		597,013
Interest expense . . . . .		<u>(4,353)</u>
Total non-operating revenues (expenses) . . . . .		<u>592,660</u>

Change in net assets . . . . .		(2,838)
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<b>Net assets (deficit) at beginning of year . . . . .</b>		<u>(221,610)</u>
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<b>Net assets (deficit) at end of year. . . . .</b>	<b>\$</b>	<u><u>(224,448)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Cash flows from operating activities:</b>	
Cash received from sales . . . . .	\$ 22,966
Cash received from state foundation . . . . .	6,172,285
Cash payments to suppliers for goods and services. . .	(6,728,507)
Cash payments for other expenses . . . . .	<u>(13,443)</u>
 Net cash used in operating activities . . . . .	 <u>(546,699)</u>
 <b>Cash flows from noncapital financing activities:</b>	
Federal and state grants. . . . .	<u>556,976</u>
 Net cash provided by noncapital financing activities . . . . .	 <u>556,976</u>
 <b>Cash flows from capital and related financing activities:</b>	
Principal retirement. . . . .	(647)
Interest expense. . . . .	<u>(4,353)</u>
 Net cash used in capital and related financing activities . . . . .	 <u>(5,000)</u>
 Net increase in cash and cash equivalents . . . . .	 5,277
 <b>Cash and cash equivalents at beginning of year . . . .</b>	 <u>8,922</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 14,199</u></b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (595,498)
Adjustments:	
Depreciation. . . . .	6,498
Changes in assets and liabilities:	
Increase in accounts payable . . . . .	42,554
Decrease in intergovernmental payable. . . . .	<u>(253)</u>
 Net cash used in operating activities . . . . .	 <u>\$ (546,699)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 conversion 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") commencing on March 15, 2006 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 instructional/support facility staffed by employees of the management company who provide services to 735 students.

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

The basic financial statements (BFS) 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 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 finances meet its cash flow needs.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**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 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, 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 received 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. The School did not have any investments during fiscal year 2009.

**F. Capital Assets**

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School's capitalization threshold was established at \$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 three years and other equipment is depreciated over five years.

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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. 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.



**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**G. Net Assets - (Continued)**

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

**H. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, Special Education Program, and the Poverty Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2009 school year totaled \$6,172,538.

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 2009 was \$597,013.

**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 Obligations**

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

**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 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2009, the School has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

**Change in Accounting Principles – (Continued)**

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the School.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the School.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the School.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the School.

**NOTE 4 - 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 and the bank balance was \$14,199. 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 5 - RECEIVABLES**

Receivables at June 30, 2009, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivables:</b>	<u>Amount</u>
Management information systems	\$ 46,095
State school lunch program	159
Total intergovernmental receivables	<u>\$ 46,254</u>

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for fiscal year 2009 was as follows:

	Balance <u>June 30, 2008</u>	Additions	Disposals	Balance <u>June 30, 2009</u>
Furniture and equipment	\$ 33,015	\$ -	\$ -	\$ 33,015
Less: accumulated depreciation	<u>(9,747)</u>	<u>(6,498)</u>	<u>-</u>	<u>(16,245)</u>
Capital assets, net	<u>\$ 23,268</u>	<u>\$ (6,498)</u>	<u>\$ -</u>	<u>\$ 16,770</u>

**NOTE 7 - LONG-TERM LIABILITIES**

On May 1, 2009, Imagine Schools, Inc. amended the operating agreement with the School. The purpose of this amendment was to amend the \$250,000 Development Allocation fee for the performance of development services by Imagine Schools, Inc. and replace it with a \$2,500 per month Development Allocation fee commencing March 1, 2009 continuing for a period of 240 months at an interest rate of 10.50%. At any time during the contract the School may elect to prepay the balance of the Development Allocation fee.

The School made \$647 and \$4,353 in principal and interest payments, respectively, on the balance of the Development Allocation fee during 2009. A long-term liability has been reported on the basic financial statements. A summary of the Development Allocation fee liability during fiscal year 2009 follows:

	Balance at <u>June 30, 2008</u>	Additions	Reductions	Balance at <u>June 30, 2009</u>	Due Within <u>One Year</u>
Development Allocation Fee	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (647)</u>	<u>\$ 249,353</u>	<u>\$ 3,968</u>

The following is a summary of the future debt requirements to maturity for the Development Allocation fee:

Fiscal Year Ending,	Principal	Interest	Total
2010	\$ 3,968	\$ 26,032	\$ 30,000
2011	4,374	25,626	30,000
2012	4,857	25,143	30,000
2013	5,394	24,606	30,000
2014	5,990	24,010	30,000
2015-2019	41,468	108,532	150,000
2020-2024	70,038	79,962	150,000
2025-2029	113,264	31,736	145,000
Total	<u>\$ 249,353</u>	<u>\$ 345,647</u>	<u>\$ 595,000</u>

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 8 - PENSION PLANS**

The School has contracted with Imagine Schools, Inc. to provide employee services and to pay those employees (see Note 12.B.). However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below:

**A. School Employees Retirement System**

Plan Description - Imagine Schools, Inc., on behalf of 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$22,628, \$22,802 and \$25,589, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**B. State Teachers Retirement System**

Plan Description - Imagine Schools, Inc., on behalf of the School, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 8 - 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, 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 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$229,242, \$75,950 and \$35,627, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employees Retirement System (Continued)**

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

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,355, \$10,405 and \$8,496, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,867, \$1,643 and \$1,740, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$17,634, \$5,842 and \$2,741, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**NOTE 10 - 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 2009, the School maintained the following general liability, automobile liability, and excess/umbrella liability through Philadelphia Indemnity Insurance Co. and school leader's liability through Marsh USA, Inc.:

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 10 - RISK MANAGEMENT (Continued)**

Coverage	Limits of Coverage
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Medical expenses	10,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	3,000,000
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
School leader's liability:	
Directors and officers/errors and omissions/ employer	3,000,000
Retention	25,000

**NOTE 11 - PURCHASED SERVICES**

For fiscal year 2009, purchased services expenses were as follows:

Professional and Technical Services	<u>\$ 6,771,061</u>
-------------------------------------	---------------------

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

**NOTE 12 - CONTRACTS**

**A. Sponsor Contract**

The School entered into a contract commencing on March 15, 2006 and continuing through June 30, 2010 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.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 12 – CONTRACTS (Continued)**

**A. Sponsor Contract (Continued)**

- 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 Ohio 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 \$198,144 for services during fiscal year 2009.

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

For the services listed above, the 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 \$5,567,613 during fiscal year 2009, which includes \$46,254 and \$6,217 reported in accounts payable at June 30, 2009 and June 30, 2008, respectively.

**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 \$39,459 in service fees for fiscal year 2009.



**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 13 - MANAGEMENT COMPANY EXPENSES**

For the fiscal year ended June 30, 2009, Imagine Schools, Inc. and its affiliates incurred the following expenses, which are reported on cash-basis, on behalf of the School:

<u>Expenses</u>	<u>2009</u>
Direct Expenses:	
Salaries and wages	\$ 1,868,151
Employees' benefits	938,814
Purchased services	852,719
Supplies and materials	641,401
Capital outlay	78,066
Other direct costs	382,269
Indirect Expenses	<u>740,705</u>
Total expenses	<u><u>\$ 5,502,125</u></u>

Overhead charges included in other direct costs are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services in the operation of the School. Such services include, but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

**NOTE 14 - 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.

The School entered into a lease agreement on October 10, 2008, with Schoolhouse Finance, LLC to lease additional classroom space for the School. The term of the lease commenced October 1, 2008, and shall continue through June 30, 2023. Thereafter the lease shall automatically extend for up to two additional 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 then current lease term. The School shall pay to Schoolhouse Finance, LLC \$678,468 in annual base rent payable in advance in monthly installments of one-twelfth each on the fifteenth day of each month of the term.

**GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 15 - 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, 2009.

**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. The School anticipates no adjustments to state funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

**NOTE 16 - MANAGEMENT PLAN**

The School had an operating loss of \$595,498 and deficit net assets of \$224,448 at June 30, 2009. As further discussed in Note 7 the School had a long-term obligation payable of \$249,353 to Imagine Schools, Inc. outstanding at fiscal year end. Management intends to eliminate the deficit by increasing enrollment and improving operating efficiencies, in addition to paying down the Development Allocation Fee (described in Note 7). Enrollment has increased and staffing efficiencies have been realized since staffing has been utilized to the fullest.

**NOTE 17 - FEDERAL TAX STATUS**

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on June 25, 2009. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.



# 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, 2009, and have issued our report thereon dated April 28, 2010, 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*.

### 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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

We noted certain matters that we reported to the School's management in a separate letter dated April 28, 2010.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 28, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

April 28, 2010

GROVEPORT COMMUNITY SCHOOL  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Administrative Allocation	Yes	

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# Mary Taylor, CPA

## Auditor of State

### Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Directors:

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 the Board, solely to assist the Board in evaluating whether Groveport Community School (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. 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 March 20, 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;

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- (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;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 28, 2010





**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  
JUNE 1, 2010**