



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Granville T. Woods Community Shule' Inc.
Franklin County
867 Mount Vernon Ave.
Columbus, Ohio 43203

To the Board of Trustees:

We have audited the accompanying basic financial statements of Granville T. Woods Community Shule' Inc., Franklin County, Ohio (the Shule'), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Shule's management. Our responsibility is to express opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Granville T. Woods Community Shule' Inc., Franklin County, Ohio, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2005, on our consideration of the Shule's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

February 25, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

As management of the Granville T. Woods Shule' (the Shule'), we offer readers of the Shule' financial statements this narrative overview and analysis of the financial activities of the Shule' for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the Shule's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Shule's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets increased \$ 82,334 which represents an 84% increase from 2003.
- Total assets increased \$80,439, which represents a 115% percent increase from 2003. The cause of the increase is due to the recording of intergovernmental receipts earned in the current year which were not available to the Shule' in the prior year.
- Liabilities decreased \$1,895 which represents an 8.5% decrease from 2003. Accrued wages and benefits decreased by \$13,899. Accounts payable increased by \$5,988. Intergovernmental Payables increased by \$6,016. In fiscal year 2003, SERS benefits were paid directly by the Shule and in fiscal year 2004 the benefits were deducted from the state foundation payments made to the Shule. This caused an even outlay of benefits payments throughout the year and consequently no year-end liability was recorded. And, since the Shule had no SERS-type employees that were owed contractual payments after June 30, 2004, no accrual is recorded for SERS.

Using this Financial Report

This report consists of three parts, the MD&A, the financial statements, and notes to those statements.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Financial Analysis

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2004?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Shule's net assets for fiscal years ended 2004 and 2003:

(Table 1)

Net Assets

	2004	2003
Assets:		
Current Assets	\$ 148,202	\$ 68,578
Capital Assets, Net	2,355	1,540
Total Assets	150,557	70,118
Liabilities:		
Current Liabilities	20,413	22,308
Long Term	-	-
	20,413	22,308
Net Assets		
Investment in Capital Assets, Net	2,355	1,540
Unrestricted	127,789	46,270
Total Net Assets	\$ 130,144	\$ 47,810

Total assets increased \$80,439. This increase is attributed to the Intergovernmental receivable for the award given for participation in the Federal Charter School Grant Program. The Shule' recorded a receivable of \$125,000 for earned revenue under this program which has not been collected at June 30, 2004. Cash and cash equivalents decreased by \$45,376 from 2003. Cash was affected by the consistent STRS payments made throughout the year and teacher salaries paid in 2004 over a nine month period. In the prior year these STRS amount were reflected in Accrued Wages and Benefits and teacher were paid over twelve month period.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)

	Change in Net Assets	
	2004	2003
Operating Revenues:		
Charges for Services	\$ 3,436	\$ 2,319
Foundation Payments	393,981	194,489
Other	6,459	-
Non-Operating Revenues:		
Federal and State Grants	206,280	156,536
Interest	130	361
Total Revenues	610,286	353,705
Operating Expenses		
Salaries	274,017	134,879
Fringe Benefits	84,684	27,619
Purchased Services	121,298	119,566
Material and Supplies	29,288	18,601
Depreciation	685	385
Other Expenses	17,980	13,591
Total Expenses	527,952	314,641
Beginning Net Assets	47,810	2,986
Increase in Net Assets	82,334	44,824
Ending Net Assets	\$ 130,144	\$ 47,810

The Shule's salaries expense increased by \$139,138 and the related fringe benefits expense increased by \$57,065 from 2003. This was due to an increase in staffing levels from 2003 to accommodate the additional students attending. The Shule's experienced an increase of \$10,286 in expenses from 2003, due to the need to purchase additional material and supplies to meet increases student demands. Current year depreciation expense was \$300 more than that recorded in 2003. A significant portion of the increase was on current year purchased assets. According to the Shule's capital asset policy, only assets over \$1,000 are capitalized.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Budgetary Highlights

The Shule' is not required to prepare, submit and comply with a budget as school districts are required, unless otherwise mandated by its Sponsor. Its Sponsor, Ohio Department of Education does not require the Shule' to prepare a budget, but does require it to prepare a five-year financial forecast. The Shule complied.

Capital Assets

At the end of fiscal year 2004 the Shule had \$3,425 invested in furniture, fixtures, and equipment, which represented an increase of \$1,500 from 2003. Table 3 shows fiscal year 2004 and 2003 capital assets carry values:

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

	<u>2004</u>	<u>2003</u>
Furniture, Fixtures and Equipment, Net	<u>\$ 2,355</u>	<u>\$ 1,540</u>

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

Current Financial Issues

The Granville T. Woods Community Shule was formed in 2002. During the 2003-2004 school year, there were approximately 95 students enrolled in the Shule. The Shule receives its resources mostly from state aide, either State Foundation or Disadvantaged Pupil Impact Aid. Per pupil aide for fiscal year 2004 amounted to \$4,147 per student.

Contacting the Shule's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Shule's finances and to show the Shule's accountability for the money it receives. If you have questions about this report or need additional information contact Carol Rivers, at Granville T. Woods Community Shule, 867 Mt. Vernon Avenue, Columbus, Ohio.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 23,202
Intergovernmental Receivable	<u>125,000</u>

Total Current Assets	<u>148,202</u>
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Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets, net	<u>2,355</u>
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Total Noncurrent Assets	<u>2,355</u>
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Total Assets	<u>150,557</u>
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Liabilities

Current Liabilities:

Accounts Payable	10,719
Accrued Wages and Benefits	3,678
Intergovernmental Payable	<u>6,016</u>

Total Current Liabilities	<u>20,413</u>
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Total Liabilities	<u>20,413</u>
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Net Assets

Invested In Capital Assets, Net of Related Debt	2,355
Unrestricted	<u>127,789</u>

Total Net Assets	<u><u>\$130,144</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Operating Revenues</u>	
Foundation	\$ 393,981
Food Service	3,436
Miscellaneous	<u>6,459</u>
 Total Operating Revenues	 <u>403,876</u>
<u>Operating Expenses</u>	
Salaries	274,017
Fringe Benefits	84,684
Purchased Services	121,298
Materials and Supplies	29,288
Depreciation	685
Other	<u>17,980</u>
 Total Operating Expenses	 <u>527,952</u>
 Operating Loss	 <u>(124,076)</u>
<u>Non-Operating Revenues</u>	
Interest Income	130
Federal and State Grants	<u>206,280</u>
 Total Non-Operating Revenues	 <u>206,410</u>
 Change in Net Assets	 82,334
 Net Assets Beginning of Year	 <u>47,810</u>
 Net Assets End of Year	 <u><u>\$ 130,144</u></u>

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

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Increase (Decrease) in Cash and Cash Equivalents

<u>Cash Flows from Operating Activities</u>	
Cash Received from State	\$393,981
Cash Received from Charges for Services	3,436
Other Cash Receipts	6,459
Cash Payments to Employees for Services	(289,016)
Cash Payments for Employee Benefits	(77,567)
Cash Payments for Goods and Services	(144,599)
Other Cash Payments	(17,980)
Net Cash Used in Operating Activities	<u>(125,286)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating Grants Received	81,280
Net Cash Provided by Noncapital Financing Activities	<u>81,280</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Payments for Capital Acquisitions	(1,500)
Net Cash Used in Capital and Related Financing Financing Activities	<u>(1,500)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	<u>130</u>
Net Cash Provided by Investing Activities	<u>130</u>
Net Decrease in Cash and Cash Equivalents	(45,376)
Cash and Cash Equivalents Beginning of Year	<u>68,578</u>
Cash and Cash Equivalents End of Year	<u><u>\$23,202</u></u>
<u>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Loss	(\$124,076)
Adjustments:	
Depreciation	685
Increase (Decrease) in Liabilities:	
Accounts Payable	5,988
Accrued Wages	(13,899)
Intergovernmental Payable	6,016
Net Cash Used in Operating Activities	<u><u>(\$125,286)</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Granville T. Woods Community Shule', Inc. (the Shule') is a non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide and maintain a School exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Shule's purpose is to be a model charter school serving children from kindergarten through grade four. The Shule', which is part of the State's education program, is independent of any school district. The Shule' may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Shule's tax-exempt status.

The Shule' was initially proposed to the Ohio Department of Education, the sponsor, by the developers in September, 2000. The Ohio Department of Education approved the proposal and entered into a contract with the developers, which provided for the commencement of Shule' operations on September 15th, 2002.

The Shule' operates under the direction of a seven-member Board of Trustees, which is comprised of a variety of community leaders, including the developers. 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 qualifications of teachers. The Board of Trustees controls the Shule's one instructional/support facility staffed by 2 non-certified and 9 certificated full-time teaching personnel who provide services to approximately 95 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shule' have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Shule' also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the Shule' are described below.

A. Basis of Presentation

The Shule's financial statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets explain the Academy as a whole. The statements of the Shule' are considered business-type activities.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically required by the Sponsor. The contract between the Shule' and its Sponsor, Ohio Department of Education, does not prescribe a budgetary process.

D. Cash and Cash Equivalents

All monies received by the Shule' are maintained in a demand deposit account. For internal accounting control purposes, the Shule' segregates its cash. Individual fund integrity is maintained through Shule' records and the use of the Uniform School Accounting System (USAS) accounting system. Total cash is presented as "cash and cash equivalents" on the accompanying statement of net assets.

E. Estimates

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

F. Capital Assets

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

Improvements are capitalized. The costs of-normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The Shule' did not capitalize any interest during the fiscal year.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenue

The Shule' currently participates in the State Foundation Program, and State Disadvantaged Pupil Impact Aid (DPIA) Program. These revenues are reported as Foundation in the accompanying financial statements. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Shule' must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Shule' on a reimbursement basis.

In addition to the aforementioned, the Shule' also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Shule' was awarded \$150,000 to offset startup costs of the Shule'. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above programs for the 2004 year totaled \$600,261.

H. Compensated Absences

Sick leave benefits are not listed as a liability as it is the policy of the Shule' not to pay sick leave upon separation. Personal leave benefits are accrued as a liability for compensated balances only to the extent such leave is unpaid/unused at June 30, 2004. It is the policy of the Shule' to payout all unused personal leave to its employees prior to June 30, 2004.

Vacation benefits are not accrued as a liability as it is the policy of the Shule' not to pay-out vacation benefits upon employee separation.

The Shule' did not have any liability for compensated absences at June 30, 2004.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30, 2004 are reported as accrued liabilities in the accompanying financial statements.

J. Operating Revenues and Expenses

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

3. CASH

At June 30, 2004, the Shule' had deposits with a carrying value of \$23,202 which is reported as Cash and Cash Equivalents in the accompanying financial statements. The bank balance of \$24,498 was covered by federal depository insurance (FDIC). The Shule' had no investments at June 30, 2004.

4. RECEIVABLES

Receivables at June 30, 2004, consisted of Charter School Sub-grant receivables of \$125,000. This receivable is recorded as an intergovernmental receivable in the accompanying financial statements. The receivable is considered collectible in full.

5. CAPITAL ASSETS

A summary of the Shule's capital assets at June 30, 2004 follows:

	Balance at <u>7/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/2004</u>
Furniture and Equipment	\$ 1,925	\$ 1,500	\$ -	\$ 3,425
Less: Accumulated Depreciation	(385)	(685)	-	(1,070)
Net Depreciable Capital Assets	\$ 1,540	\$ 815	\$ -	\$ 2,355

6. OPERATING LEASES-OFFICE AND EDUCATION FACILITIES

The Shule' leases four classrooms, three offices and the computer lab at 867 Mount Vernon Avenue, Columbus, Ohio. For the access and use of these spaces, the Shule' entered into an operating lease with The Community Arts Project, Inc., d/b/a Martin Luther King Jr. Performing and Cultural Arts complex for the period of August 18, 2003 through June 15, 2004. The lease is renewable under contract provisions with two (1) year options with ninety (90) days written notice by either party. The Shule' has decided not to extend the lease beyond June 15, 2004. Instead, the Shule entered into a new lease agreement for the use of five classrooms, and three offices at 867 Mount Vernon Avenue, Columbus, Ohio for the period of August 23, 2004 through June 10, 2005. The lease is renewable under contract provisions with two (1) year options with ninety (90) days written notice by either party.

The Shule' also leased certain office space at the Martin Luther King Jr. Performing and Cultural Arts Complex from July 1, 2003 through June 15, 2004 for \$600 per month, in addition to the classrooms and offices used throughout the school year. This amount is included in the minimum lease payments below.

The Shule' paid \$ 32,460 in lease payments for the classroom and office facility for the fiscal year ended June 30, 2004.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

6. OPERATING LEASES-OFFICE AND EDUCATION FACILITIES (Continued)

The future minimum lease payments for the leases were as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2005	<u>\$ 41,330</u>
Total	<u>\$ 41,330</u>

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

7. PURCHASED SERVICES

For the fiscal period July 1, 2003 through June 30, 2004, purchased service expenses were payments for services rendered by various vendors as follows:

<u>Service Type</u>	
Professional/Technical Services	\$ 49,929
Property Services	39,384
Communications	11,558
Contracted Trade Service	<u>20,427</u>
Total	<u>\$ 121,298</u>

8. RISK MANAGEMENT

A. Property and Liability

The Shule' is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Shule' maintains insurance coverage for rental/theft, general liability and directors and officers' liability in amounts considered adequate. For fiscal year 2004, the Shule' contracted with United States Liability Insurance Company for its insurance coverage.

There is a \$1,000 deductible per claim. The Shule' owns no real estate, but leases a facility located at 867 Mt. Vernon Ave., Columbus, Ohio, commonly known as the Martin Luther King Jr. Center.

B. Workers' Compensation

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Shule' contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees' Retirement Board. SERS provides basic 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 state statute per 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 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the Shule' is required to contribute at an actuarially determined rate. The current Shule' rate is 14 percent of annual covered payroll. A portion of the Shule's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Shule's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004 and 2003 was \$ 2,922 and \$ 716, respectively; 100 percent has been contributed for fiscal year 2004. The Shule' was not required to participate in the pension program prior to fiscal 2003.

B. State Teachers Retirement System

The Shule' contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (B) Plan, a Defined Contribution (CD) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Shule' was required to contribute 14: 13% was used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Shule's required contribution to the DB Plan was \$33,001 and \$ 16,395 for fiscal years ending June 30, 2004 and 2003, respectively. 100% has been contributed for fiscal year 2004. The Shule' was not required to participate in the pension program prior to fiscal 2003.

10. POST EMPLOYMENT BENEFITS

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

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the Shule', this amount was equal to \$2,538 and \$1,261 for fiscal years 2004 and 2003, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

10. POST EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Shule', the amount contributed to fund health care benefits, including the surcharge, during the 2004 and 2003 fiscal years equaled \$4,556 and \$511, respectively.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits was \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

11. OTHER EMPLOYEE BENEFITS (Continued)

B. Employee Medical, Dental, and Vision Benefits

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

12. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The Shule' is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

13. MANAGEMENT'S PLAN

The Shule had an operating loss for fiscal year 2004. The Shule' has been granted a \$150,000 start-up grant from the Federal Charter School Grant Program through the Ohio Department of Education. During fiscal year 2004, the Shule' received \$25,000 in these funds; the remaining \$125,000 will be received during fiscal year 2005.

14. RELATED PARTY TRANSACTIONS

Douglas Haynes is a board member and is a principle in the law firm of Haynes and Haynes. The Shule' paid the firm \$12,235 for legal services during fiscal year 2004.

15. CONTINGENCIES

A. Grants

The Shule' received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Shule'. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Shule' at June 30, 2004.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

15. CONTINGENCIES (Continued)

B. Litigation

A suit was filed in Franklin County Commons Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State Constitution and State laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case is set for oral argument on November 18th, 2003. The effect of this suit, if any, on the Shule' is not presently determinable.

C. State Funding

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 conclusions of this review could result in state funding being adjusted. This information was not available as of the date of this report. The Shule' does not anticipate any material adjustments to state funding for fiscal year 2004, as a result of such review.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Granville T. Woods Community Shule' Inc.
Franklin County
867 Mount Vernon Ave.
Columbus, Ohio 43203

To the Board of Trustees:

We have audited the basic financial statements of Granville T. Woods Community Shule' Inc., Franklin County, Ohio (the Shule') as of and for the year ended June 30, 2004, and have issued our report thereon dated February 25, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Shule's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Shule's management in a separate letter dated February 25, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shule's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Shule' in a separate letter dated February 25, 2005.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

February 25, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GRANVILLE T. WOOD COMMUNITY SHULE', INC.

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2005**