GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of Groveport Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Management Company Expenses Note of the School. Other auditors audited that Note of the School. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the Management Company Expenses Note on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Groveport Community School, Franklin County, Ohio, as of June 30, 2008, and the changes in its financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the School experienced certain financial difficulties during the year.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2009 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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
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 basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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, 2008. 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 2008 are as follows:

- In total, net assets were a deficit of $221,610 at June 30, 2008.

- The School had operating revenues of $2,469,713, operating expenses of $2,826,906 and non-operating revenues of $341,614 for fiscal year 2008. Total change in net assets was a decrease of $15,579, which was a result of depreciation expense and accrued payments for management services and legal fees at fiscal year-end.

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 S*tatement of Net Assets* and S*tatement 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 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The table below provides a summary of the School's net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

Net Assets

	2008	2007
Assets		
Current assets	$ 15,139	$ 16,965
Capital assets, net	23,268	29,766
Total assets	38,407	46,731
Liabilities		
Current liabilities	260,017	252,762
Net Assets		
Invested in capital assets	23,268	29,766
Unrestricted (deficit)	(244,878)	(235,797)
Total net assets (deficit)	$ (221,610)	$ (206,031)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School's net assets totaled a deficit of $221,610.

Current assets represent cash and intergovernmental receivables. Current liabilities of $260,017 represent the amounts due at June 30, 2008 for professional services provided, the amount owed to the Ohio Department of Education as a result of the fiscal year-end review (see Note 14 B for detail) and the amount due to the Imagine Schools, Inc. at fiscal year-end for the Development Allocation fee of $250,000 (see Note 11.B for detail).

At fiscal year-end, capital assets represented 60.58% 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.

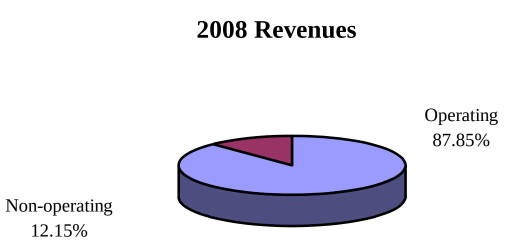
The table below shows the changes in net assets for fiscal years 2008 and 2007.

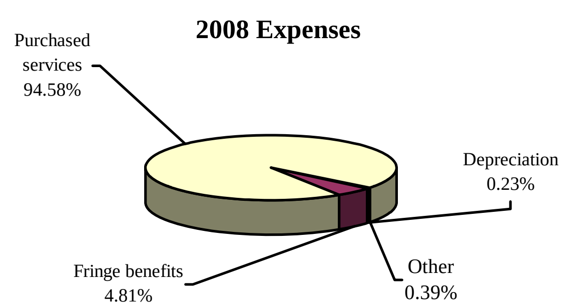
Change in Net Assets

	2008	2007
Operating Revenues:		
Sales	$ 22,748	$ 13,716
State foundation	2,446,965	1,421,919
Other	-	4,152
Total operating revenue	2,469,713	1,439,787
Operating Expenses:		
Salaries and wages	-	24,753
Fringe benefits	135,872	78,872
Purchased services	2,673,576	1,824,251
Materials and supplies	-	6,257
Depreciation	6,498	3,249
Other	10,960	77
Total operating expenses	2,826,906	1,937,459
Non-operating Revenues:		
Federal and state grants	341,614	291,641
Total non-operating revenues	341,614	291,641
Change in net assets	(15,579)	(206,031)
Net assets (deficit) at beginning of year	(206,031)	-
Net assets (deficit) at end of year	$ (221,610)	$ (206,031)

Sales, state foundation revenue, fringe benefits, purchased services, and other expenses have increased during fiscal year 2008 as a result of increased enrollment. Enrollment increased from 264 students in fiscal year 2007 to 363 students in fiscal year 2008. Salaries and wages and materials and supplies expenses have decreased due to a reclassification of these expenses to purchased services during fiscal year 2008. Other expenses have increased due to audit costs of the fiscal year 2007 financial statements.

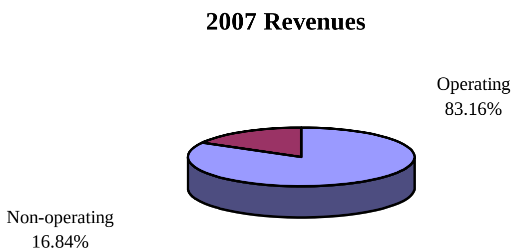
The charts below illustrate the revenues and expenses for the School for fiscal years 2008 and 2007.

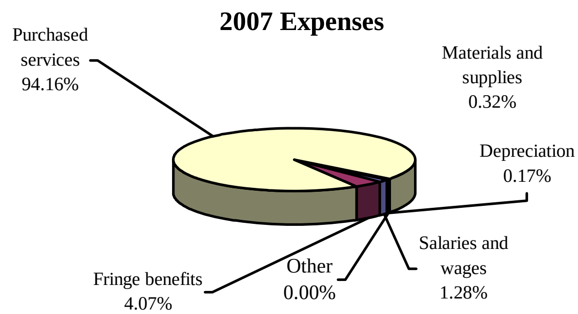




GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED





Capital Assets

At June 30, 2008, the School had $23,268 invested in capital assets net of accumulated depreciation. See Note 6 to the basic financial statements for more detail on capital assets.

Debt

At June 30, 2008, the School had $250,000 in a related party contracts payable. See Note 11.B to the basic financial statements for more detail on the contracts payable.

Budget

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

Restrictions and Other Limitations

The future stability of the School is not without challenges. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

Current Financial Related Activities

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

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

Contacting the School's Financial Management

This financial report is designed to provide our 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, 2008

Assets:		
Current assets:		
Cash	$	8,922
Receivables:		
Intergovernmental		6,217
Total current assets		15,139
Non-current assets:		
Capital assets, net		23,268
Total assets		38,407
Liabilities:		
Current liabilities:		
Accounts payable		9,764
Related party contracts payable		250,000
Intergovernmental payable		253
Total current liabilities		260,017
Net Assets:		
Invested in capital assets		23,268
Unrestricted (deficit)		(244,878)
Total net assets (deficit)	$	(221,610)

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, 2008

Operating revenues:	
Sales.	$ 22,748
State foundation.	2,446,965
Total operating revenue	2,469,713
Operating expenses:	
Fringe benefits.	135,872
Purchased services.	2,673,576
Depreciation	6,498
Other.	10,960
Total operating expenses.	2,826,906
Operating loss	(357,193)
Non-operating revenues:	
Federal and state grants	341,614
Total non-operating revenues	341,614
Change in net assets	(15,579)
Net assets (deficit) at beginning of year . . .	(206,031)
Net assets (deficit) at end of year.	$ (221,610)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Cash received from sales	$ 22,748
Cash received from state foundation	2,447,218
Cash payments for fringe benefits	(234,531)
Cash payments to suppliers for goods and services	(2,567,915)
Cash payments for other expenses	(10,960)
Net cash used in operating activities	(343,440)
Cash flows from noncapital financing activities:	
Federal and state grants	346,758
Net cash provided by noncapital financing activities	346,758
Net increase in cash and cash equivalents	3,318
Cash and cash equivalents at beginning of year	5,604
Cash and cash equivalents at end of year	$ 8,922
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (357,193)
Adjustments:	
Depreciation	6,498
Changes in assets and liabilities:	
Increase in accounts payable	9,764
Decrease in intergovernmental payable	(2,509)
Net cash used in operating activities	$ (343,440)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL

The Groveport Community School (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing educational services to establish a new 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”) on March 15, 2006 for a period of five years and ending on June 30, 2011. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a five-member Board of Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the School. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board controls the School’s intructional/support facility staffed by employees of the management company who provide services to 363 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.

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

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

C. Basis of Accounting (Continued)

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 2008.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School established a capitalization threshold of $5,000 during fiscal year 2008. 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. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the Poverty Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2008 school year totaled $2,446,965.

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 2008 was $341,614.

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.

L. Economic Dependency

The Academy receives the majority of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2008, the School has implemented GASB Statement No. 45, "<u>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</u>", GASB Statement No. 48, "<u>Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues</u>", and GASB Statement No. 50, "<u>Pension Disclosures</u>".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the School; however, certain disclosures related to postemployment benefits (see Note 8) have been modified to conform to the new reporting requirements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the School.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 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, 2008, the carrying amount of the School's deposits was $8,922 and the bank balance was $17,602. 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, 2008, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	Amount
Management information systems	$ 2,000
Federal lunch program	4,217
Total intergovernmental receivables	$ 6,217

NOTE 6 - CAPITAL ASSETS

Capital asset activity for fiscal year 2008 was as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Furniture and equipment	$ 33,015	$ -	$ -	$ 33,015
Less: accumulated depreciation	(3,249)	(6,498)	-	(9,747)
Capital assets, net	$ 29,766	$ (6,498)	$ -	$ 23,268

NOTE 7 - PENSION PLANS

A. School Employees Retirement System

Plan Description - 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, 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 2008, 9.16 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, 2008 and June 30, 2007 were $22,802 and $25,589, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School participates in 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.

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. 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.

NOTE 7 - PENSION PLANS - (Continued)

B. State Teachers Retirement System (Continued)

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 2008, 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, 2008 and June 30, 2007 were $75,950 and $35,627, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in 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 401h. For 2008, 4.18 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 2008, this amount was $35,800.

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 for the fiscal years ended June 30, 2008 and June 30, 2007 were $10,405 and $8,496, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008 and June 30, 2007 were $1,643 and $1,740, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - 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 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 2008, 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, 2008 and June 30, 2007 were $5,842 and $2,741, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

NOTE 9 - 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 2008, the School maintained general liability insurance with a $1,000,000 single occurrence limit and $3,000,000 annual aggregate and an umbrella policy extending coverage as broad as primary coverage in the amount of $10,000,000. The School also maintains directors and officers liability/errors and omissions coverage in the amount of $1,000,000 per occurrence.

NOTE 10 - PURCHASED SERVICES

For fiscal year 2008, purchased services expenses were as follows:

Professional and Technical Services	$ 2,673,576

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

NOTE 11 - CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on March 15, 2006 and continuing through June 30, 2011 with St. Aloysius Orphanage (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

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

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

- Provide reasonable technical assistance to the School.

- As permitted by law, intervene in the School's operation to correct problems in the School's overall performance, declare the School to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non renew this contract pursuant to 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 $75,918 for services during fiscal year 2008.

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 $2,546,864 during fiscal year 2008, which includes $6,217 reported in accounts payable

NOTE 11 – CONTRACTS - (Continued)

B. Management Contract/Related Party (Continued)

The School owes Imagine Schools, Inc. $250,000 at June 30, 2008 towards the $250,000 Development Allocation fee per the contract. The balance of the Development Allocation fee at June 30, 2008 is $250,000. There were no payments made by the School during fiscal year 2008, and a liability has been reported in contracts payable on the basic financial statements.

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 $29,700 in service fees for fiscal year 2008.

NOTE 12 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2008, Imagine Schools, Inc. and its affiliates incurred the following expenses, which are report on cash-basis, on behalf of the School:

Expenses	2008
Direct Expenses:	
Salaries and wages	$ 819,869
Employees' benefits	46,108
Purchased services	717,822
Supplies and materials	357,367
Capital outlays	37,789
Other direct costs	472,556
Total expenses	$ 2,451,511

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

NOTE 13 - OPERATING LEASES

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

NOTE 14 - 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, 2008.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the School owed $253 to the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental payable.

NOTE 15 - MANAGEMENT PLAN

The School had an operating loss of $357,193 and deficit net assets of $221,610 at June 30, 2008. As further discussed in Note 11.B. the School had a payable of $250,000 to Imagine Schools, Inc. at fiscal year-end. Management intends to eliminate the deficit by increasing enrollment and improving operating efficiencies, in addition to paying down the $250,000 Development Allocation Fee. Enrollment is expected to increase to over 400 students during fiscal year 2009 and staffing efficiencies have been realized since staffing has been utilized to the fullest. In addition, the Board has approved a building expansion toattract new students. As of July 31, 2009, the School's cash balance was $14,198.

NOTE 16 - FEDERAL TAX STATUS

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

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, 2008, and have issued our report thereon dated August 7, 2009, wherein we noted the School was experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the Management Company Expenses Note of the School. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

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

We also noted certain internal control matters that we reported to the School's management in a separate letter dated August 7, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2008-001.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated August 7, 2009.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 7, 2009

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

Finding Number	**2008-001**

Administrative Allocation – Material Noncompliance/Significant Deficiency

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

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

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

Officials' Response:

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

GROVEPORT COMMUNITY SCHOOL
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Administrative Allocation - The School did not obtain a reconciliation of actual revenues to budget revenues for the preceding year to determine whether an accrual entry was required.	No	Repeated as Finding 2008-001
2007-002	Financial Reporting – the School's financial report required modifications and adjustments.	No	Partially Corrected, repeated in Management Letter
2007-003	Capital Asset Policy – the School did not establish a capital asset policy.	Yes	
2007-004	Bank Reconciliation – the Treasurer did not perform formal bank reconciliations for five months.	Yes	

Mary Taylor, CPA
Auditor of State

GROVEPORT COMMUNITY SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us