



**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 Mt. Vernon Avenue
Columbus, OH 43209

To the Board of Trustees:

We have audited the accompanying Balance Sheet of the Granville T. Woods Community Shule' Inc., Franklin County, Ohio, (the Shule') as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Shule's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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', Franklin County, Ohio, as of June 30, 2003, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Granville T. Woods Community Shule', Inc.
Franklin County
Independent Accountants' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2004, 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.

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

Betty Montgomery
Auditor of State

May 5, 2004

GRANVILLE T WOODS COMMUNITY SHULE'
FRANKLIN COUNTY

BALANCE SHEET
AS OF JUNE 30, 2003

ASSETS

Current Assets

Cash and cash equivalents	\$ 68,578
Total Current Assets	<u>68,578</u>

Non Current Assets

Furniture and Equipment, Net	1,540
Total Assets	<u><u>70,118</u></u>

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	4,731
Accrued Wages & Benefits	17,577
Total Liabilities	<u>22,308</u>

Equity

Unreserved Retained Earnings	<u>47,810</u>
Total Equity	<u>47,810</u>
Total Liabilities and Equity	<u><u>\$ 70,118</u></u>

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003**

Operating Revenues	
Foundation Payments	\$ 194,489
Food Service	2,319
Other Operating Revenue	<u>5,760</u>
Total Operating Revenue	<u>202,568</u>
Operating Expenses	
Salaries	134,879
Fringe Benefits	27,619
Purchased Services	119,566
Materials and Supplies	18,601
Depreciation	385
Other Operating Expenses	<u>13,591</u>
Total Operating Expenses	<u>314,641</u>
Operating Loss	(112,073)
Non-Operating Revenues	
Federal Restricted Grant in Aid	150,000
State Unrestricted Grant in Aid	6,536
Interest Income	361
Total Non-Operating Revenues	<u>156,897</u>
Net Income	44,824
Retained Earnings Beginning of Year	<u>2,986</u>
Retained Earnings End of Year	<u><u>\$ 47,810</u></u>

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

**GRANVILLE T WOODS COMMUNITY SHULE
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003**

Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$ 196,808
Cash Payments to Suppliers for Goods and Services	(149,663)
Gross Payroll to Employees for Services	(144,921)
Other Operating Revenue	<u>5,760</u>
Net Cash Used for Operating Activities	<u>(92,016)</u>
Cash Flows from Noncapital Financing Activities	
Grants Received from Federal and State Subsidies	<u>156,172</u>
Net Cash Provided by Noncapital Financing Activities	<u>156,172</u>
Cash Flows from Capital and Related Financing Activities	
Cash Used For Acquisition of Capital Assets	<u>(1,925)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,925)</u>
Cash Flows from Investing Activities	
Interest Income	<u>361</u>
Net Cash Provided by Investing Activities	<u>361</u>
Net Increase in Cash and Cash Equivalents	62,592
Cash and Cash Equivalents at Beginning of Year	<u>2,986</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 65,578</u></u>
Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	(112,073)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities	
Depreciation	385
Change in Assets and Liabilities	
Increase in Accounts Payable	2,095
Increase in Accrued Wages and Benefits Payable	<u>17,577</u>
Net Cash Used For Operating Activities	<u><u>\$ (92,016)</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, 2003**

1. DESCRIPTION OF THE SHULE' AND REPORTING ENTITY

Granville T. Woods Community Shule', Inc., Franklin County, Ohio (the Shule') is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide 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 two. 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 Shule'. 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 creation of 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 a self- appointed 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 facility staffed by two full time and one part time noncertified personnel, and three certificated full time teaching personnel who provide services to approximately twenty-five students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Granville T. Woods Community Shule', Inc. 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 of the Shule's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(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 balance sheet. 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 the Ohio Revised Code Chapter 5705, unless specifically required by the sponsor. The contract between Granville T. Woods Community Shule', Inc. 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 USAS accounting system. Total cash for all funds is presented as "cash and cash equivalents" on the accompanying balance sheet.

E. Estimates

The preparation of the financial statements in conformity with general accepted accounting principles (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. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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.

Depreciation of furniture and equipment and vehicles is computed using the straight-line method over the estimated useful life of three to seven years, respectively. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(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. 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 other programs, 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. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above programs for the 2003 year totaled \$351,025.

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, 2003. It is the policy of the Shule' to payout all unused personal leave to its employees prior to June 30, 2003.

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, 2003.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30, 2003 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.

K. Start-Up Funding

The Shule' received a \$50,000 grant from the Federal Charter School Grant Program through the Ohio Department of Education as start-up money prior to the school year.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

3. CASH DEPOSITS

At June 30, 2003, the carrying amount of the Shule's deposits was \$68,578 and the bank balance was \$72,710. Of the bank balance, \$72,710 was covered by federal depository insurance. The Shule' had no investments at June 30, 2003.

4. RECEIVABLES

The Shule did not have any receivables at June 30, 2003.

5. FIXED ASSETS

A summary of the Shule's fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$ 1,925
Less: Accumulated Depreciation	<u>(385)</u>
Net Fixed Assets	<u>\$ 1,540</u>

6. OPERATING LEASES- OFFICE AND EDUCATION FACILITIES

The lease agreement between the Flintridge Missionary Baptist Church and the Shule' authorized certain space for use within the building located at 3330 Scottwood Road, Columbus, Ohio. The Shule' paid \$3,500 per month from July 1, 2002 through June 30, 2003. The agreement was not renewed. The Shule' paid a total of \$42,000 under this agreement.

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 10, 2003 through June 15, 2004. The lease is renewable under contract provisions within ninety (90) days of expiration by either party.

The Shule' also leased certain office space at the Martin Luther King Jr. Performing and Cultural Arts Complex from June 15, 2003 through August 19, 2003 for \$1,200, in addition to the classrooms and offices used throughout the school year. This amount is included in the minimum lease payments below.

The future minimum lease payments for the leases were as follows

<u>Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 29,762
Total	<u>\$ 29,762</u>

There were no scheduled rent increases or rent holiday clauses in the lease agreement. These leases have not been re-newed.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. PURCHASED SERVICES

For the fiscal period July 1, 2002 through June 30, 2003, purchased service expenses were payments for services rendered by various vendors as follows:

Professional/Technical Services:	\$ 44,000
Property Services:	59,346
Travel:	281
Communications:	9,813
Contracted Trade Service:	<u>6,126</u>
 Total Purchased Services	 <u>\$ 119,566</u>

8. START-UP PERIOD

The creation of 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, which provided for the commencement of the Shule' operations on September 15th, 2002.

During the period of its incorporation through July 1, 2002, the Shule' received subsidies and incurred various start-up expenses. These are disclosed in the following table:

State Grants and		
Federal Subsidies	\$ 50,000	
Total Revenues	50,000	
Purchased Services	\$ 46,708	
Other Start up Cost	306	
Total Expenses	\$ 47,014	
Retained Earnings		
July 1, 2002	<u>\$ 2,986</u>	

9. 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 2003, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Shule' 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 43215-3476.

Plan members are required to contribute 9 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 use to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.83 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 contributions for pension obligations to SERS for the fiscal year ended June 30, 2003, was \$ 716, 92.5 percent has been contributed for fiscal year 2003. The unpaid contribution for fiscal year 2003 amounted to \$54 and is recorded as a liability in the accompanying financial statements. The Shule' was not required to participate in the pension program prior to fiscal 2003.

B. State Teachers Retirement System

The Shule' participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (B) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The Shule' was required to contribute 14; 13 percent was used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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' required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003 was \$16,395; 88.5 percent has been contributed for fiscal year 2003. Unpaid contributions amounted to \$1,874 for the fiscal year 2003, and are recorded as a liability in the accompanying financial statements. The Shule' was not required to participate in the pension program prior to fiscal 2003.

11. 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 Shule' 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 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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the Shule', this amount equaled \$1,261 for fiscal year 2003.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. POST EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3,011 million. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the Shule', the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$511.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. 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.

B. Employee, Medical, Dental, and Vision Benefits

The Shule' has contracted with a private carrier to provide employee health insurance 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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

13. 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 its future State funding and on its financial operations.

14. MANAGEMENT'S PLAN

The Shule' had a significant operating loss for fiscal year 2003 and subsequently has experienced cash flow shortfalls. Consequently, the Shule' has made its STRS (employer share) payments untimely. The Shule' has applied and expects to receive \$150,000 in additional start-up funds from the Federal Charter School Grant Program through the Ohio Department of Education.

The Shule' has increased enrollment to 64 students in the 2003-2004 school year and expects to add a 5th grade class to increase its' 2004-2005 enrollment to its capacity of 90 students.

15. RELATED PARTY

Douglas Haynes is a board member on the Board of Directors and is also an attorney with the law firm of Haynes and Haynes. The Shule' paid the law firm of Haynes and Haynes \$12,686 for legal services during fiscal year 2003.

16. 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, 2003.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) school 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 school is not presently determinable.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

16. CONTINGENCIES

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of student enrollment data and full time equivalency (FTE) calculations made by the school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated

ODE completed a review of the Shule's fiscal year 2003 student enrollment data and FTE calculations on January, 2004. The conclusion of this review resulted in the Shule' receiving \$1,030 increase in additional state funding.

17. SUBSEQUENT EVENTS

The Shule' has entered into a contractual agreement with ACE Software on October 10, 2003 for computer equipment, accounting, payroll, fixed assets, EMIS and student services. The Shule' remits \$2,300 monthly for these services. The agreement expires upon the parties' mutual dissolution.

STRS (employer share) payments have not been remitted to State Teachers Retirement System for the April 16, April 23 or May 7, 2004 payrolls totaling \$3,273. These amounts are not reported in the accompanying financial statements.



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 Mt. Vernon Ave.
Columbus, OH 43203

To the Board of Trustees:

We have audited the financial statements of Granville T. Woods Community Shule', Inc., Franklin County, Ohio, (the Shule') as of and for the year ended June 30, 2003, and have issued our report thereon dated May 5, 2004. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an instance of noncompliance which we have reported to management of the Shule' in a separate letter dated May 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shule's internal control over financial reporting in order 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 over financial reporting 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 operation that we consider to be material weaknesses.

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This report is intended for the information and use of the audit committee, management, and the 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

May 5, 2004



**Auditor of State
Betty Montgomery**

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GRANVILLE T. WOODS COMMUNITY SHULE'

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
JULY 27, 2004**