

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2010**



Mary Taylor, CPA
Auditor of State

Board of Directors
Gahanna Community School
160 South Hamilton
Gahanna, Ohio 43230

We have reviewed the *Independent Accountants' Report* of the Gahanna Community School, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gahanna Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 16, 2010

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**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY**

TABLE OF CONTENTS

Independent Accountants' Report	1
Management's Discussion and Analysis.....	2
Basic Financial Statements:	
Statement of Net Assets.....	6
Statement of Revenues, Expenses and Changes in Net Assets.....	7
Statement of Cash Flows.....	8
Notes to the Financial Statements	10
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.....	16
Independent Accountants' Report on Applying Agreed Upon Procedures.....	18

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying basic financial statements of the Gahanna Community School, formerly known as the Gahanna Alternative School, Franklin County, Ohio (the School), a component unit of the Gahanna-Jefferson City School District, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gahanna Community School, as of June 30, 2010, 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 November 12, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Kennedy Cottrell Richards LLC

November 12, 2010

**GAHANNA COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2010
(UNAUDITED)**

As management of the Gahanna Community School (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2010. We encourage readers to 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 fiscal year 2010 are as follows:

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$192,319 (net assets). Of this amount, \$89,947 (unrestricted net assets) may be used to meet the School's ongoing obligations to citizens and creditors.
- The School's total net assets increased by \$206,891 during the fiscal year, which consists of operating revenues of \$444,563 and non-operating revenues of \$174,168, which were offset by operating expenses totaling \$411,840.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

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

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

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

**GAHANNA COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2010
(UNAUDITED)**

Table 1 below provides a summary of the School's assets, liabilities and net assets for fiscal year 2010 compared to the prior year.

**Table 1
Net Assets at Year End**

	<u>2010</u>	<u>Restated 2009</u>
Current Assets	\$ 103,608	\$ 125,766
Non-current Assets, net	<u>101,172</u>	<u>16,032</u>
Total Assets	<u>204,780</u>	<u>141,798</u>
Current Liabilities	<u>12,461</u>	<u>156,370</u>
Total Liabilities	<u>12,461</u>	<u>156,370</u>
Net Assets		
Invested in Capital Assets	101,172	16,032
Restricted	1,200	-
Unrestricted	<u>89,947</u>	<u>(30,604)</u>
Total Net Assets	<u>\$ 192,319</u>	<u>\$ (14,572)</u>

Total Assets increased \$62,982, or approximately 44%, during the fiscal year. This increase is primarily the result of an increase in capital asset purchases resulting from increased enrollment.

Total Liabilities decreased \$143,909, or approximately 92%, during the fiscal year. At the end of fiscal year 2009, the School's outstanding balance for instructional services provided was significant. At the end of fiscal year 2010, as a result of improved cash flows, the School's outstanding balance was zero.

**GAHANNA COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2010
(UNAUDITED)**

The table below shows the changes in net assets for fiscal year 2010 compared to the prior year:

**Table 2
Changes in Net Assets**

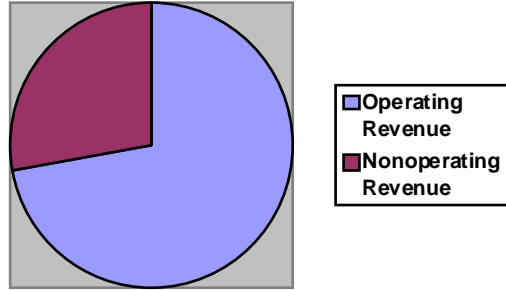
	2010	2009
Operating Revenues:		
Foundation Revenues	\$ 443,630	\$ 157,567
Instructional Fees	933	225
Nonoperating Revenues		
State Grants	3,000	3,000
Federal Grants	171,143	135,259
Interest Earnings	25	-
Total Revenues	618,731	296,051
Operating Expenses:		
Purchased Services	334,365	279,649
Supplies and Materials	56,825	28,655
Depreciation	20,177	2,219
Other	473	100
Total Operating Expenses	411,840	310,623
Change in Net Assets	206,891	(14,572)
Net Assets, Beginning of Year, Restated	(14,572)	-
Net Assets, End of the Year	\$ 192,319	\$ (14,572)

Total Revenues increased \$322,680, or approximately 109%, during the fiscal year. This increase is the result of an increase in Foundation payments and grant funding resulting from increased enrollment. The School's enrollment increased from 25 in the prior year to 80 students as of June 30, 2010.

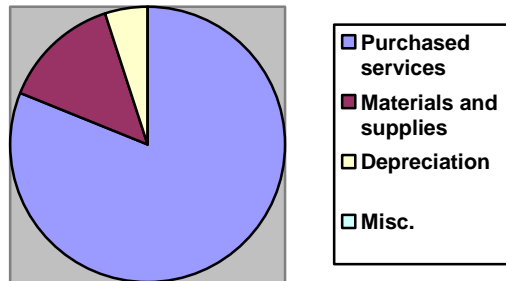
Total Operating Expenses increased \$101,217, or approximately 33%, during the fiscal. A significant portion of this increase (\$62,943) can be attributed to the costs of set up and rental of the modular units occupied by the School during the fiscal year.

**GAHANNA COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2010
(UNAUDITED)**

The charts below illustrate the revenues for the School during fiscal 2010.



The charts below illustrate the expenses for the School during fiscal 2010.



Capital Assets

At June 30, 2010, the School had \$101,172 invested in materials and computer equipment. The School had capital asset additions of \$105,317 and \$20,177 in depreciation expense for the year. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

Contacting the School's Financial Management

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

GAHANNA COMMUNITY SCHOOL
(A COMPONENT UNIT OF GAHANNA JEFFERSON CITY SCHOOL DISTRICT)
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Assets

Current Assets

Cash and Cash Equivalents \$ 103,608

Non-current Assets

Depreciable Capital Assets, Net 101,172

Total Assets 204,780

Liabilities

Current Liabilities

Unearned Revenue 12,461

Total Liabilities 12,461

Net Assets

Invested in Capital Assets 101,172

Restricted for:

State Grant Programs 1,200

Unrestricted 89,947

Total Net Assets \$ 192,319

See accompanying notes to the basic financial statements.

GAHANNA COMMUNITY SCHOOL
(A COMPONENT UNIT OF GAHANNA JEFFERSON CITY SCHOOL DISTRICT)
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Foundation Revenues	\$ 443,630
Instructional Fees	933
Total Operating Revenues	<u>444,563</u>
 Operating Expenses:	
Purchased Services	334,365
Supplies and Materials	56,825
Depreciation	20,177
Miscellaneous	473
Total Operating Expenses	<u>411,840</u>
 Operating Income	 <u>32,723</u>
 Non-Operating Revenues:	
State Subsidies	3,000
Federal Subsidies	171,143
Interest Earnings	25
Total Non-Operating Revenues	<u>174,168</u>
 Change in Net Assets	 206,891
 Net Assets at Beginning of Year, Restated	 <u>(14,572)</u>
Net Assets at End of Year	<u>\$ 192,319</u>

See accompanying notes to the basic financial statements.

GAHANNA COMMUNITY SCHOOL
(A COMPONENT UNIT OF GAHANNA JEFFERSON CITY SCHOOL DISTRICT)
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows From Operating Activities	
Cash Received from Instructional Fees	\$ 933
Cash Received from Foundation Payments	443,630
Cash Payments for Contract Services	(470,627)
Cash Payments for Supplies and Materials	(56,825)
Cash Payments for Miscellaneous	(473)
Net Cash Used by Operating Activities	<u>(83,362)</u>
 Cash Flows From Noncapital Financing Activities	
Cash from Federal and State Subsidies	<u>171,863</u>
Net Cash Provided by Noncapital Financing Activities	<u>171,863</u>
 Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	<u>(105,317)</u>
Net Cash Flows Used by Capital and Related Financing Activities	<u>(105,317)</u>
 Cash Flows From Investing Activities	
Interest Received	<u>25</u>
Net Cash Provided by Investing Activities	<u>25</u>
 Net Decrease in Cash and Cash Equivalents	 (16,791)
 Cash and Cash Equivalents at Beginning of Year	 <u>120,399</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 103,608</u>

See accompanying notes to the basic financial statements.

GAHANNA COMMUNITY SCHOOL
(A COMPONENT UNIT OF GAHANNA JEFFERSON CITY SCHOOL DISTRICT)
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Reconciliation of Operating Income/ (Loss) to Net Cash
Provided by (Used by) Operating Activities:**

Operating Income	\$ 32,723
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:	
Add Depreciation Expense	20,177
Change in Assets and Liabilities	
Decrease in Accounts Payable	<u>(136,262)</u>
Total Adjustments	<u>(116,085)</u>
Net Cash Used by Operating Activities	<u><u>\$ (83,362)</u></u>

See accompanying notes to the basic financial statements.

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 – DESCRIPTION OF THE SCHOOL

The Gahanna Community School (the “School”) is a nonprofit corporation established, in fiscal year 2009, pursuant to Ohio Revised Code Chapter 3314.07. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School’s tax-exempt status. The School specializes in providing educational services to chosen students through unique learning methods like web-based learning, community service, independent study and internships. The School, which is part of the state’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations.

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

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The School contracts with its sponsor for 4 non-certified staff members and 9 certificated teaching personnel who provide services to 80 students. The School is expecting the number of students to grow to 120 in fiscal year 2011.

On July 1, 2009 the School changed its name from Gahanna Alternative Community School to Gahanna Community School.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The School has elected not to apply these FASB Interpretations. The School has significant accounting policies are described below.

A. Basis of Presentation

The School’s basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

The School uses single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

B. Measurement Focus and Basis of Accounting

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

C. Basis of Accounting

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

D. Budgetary Process

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

E. Cash and Cash Equivalents

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

F. Capital Assets and Depreciation

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

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

All capital assets above the threshold are depreciated and depreciation is computed using the straight-line method. A half year of depreciation is taken in the fiscal year of the addition and the fiscal year of disposal. Computers are depreciated over 3 years, and furniture and equipment are depreciated over 10 years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

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

I. Intergovernmental Revenue

The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met, essentially the same as the period received.

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.

J. Estimates

The preparation of financial statements in conformity with GAAP principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The school does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of the School's deposits was \$103,608 and the bank balance was the same. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investments of funds by the School.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Equipment	\$ 18,251	\$ 105,317	-	\$ 123,568
Total	18,251	105,317	-	123,568
Depreciation:				
Equipment	(2,219)	(20,177)	-	(22,396)
Total	(2,219)	(20,177)	-	(22,396)
Capital Assets, net	<u>\$ 16,032</u>	<u>\$ 85,140</u>	<u>\$ -</u>	<u>\$ 101,172</u>

NOTE 5 – RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The policy was written under the Sponsors name and the School is responsible for the payment of such policy. In fiscal year 2010 the School was within the Sponsors property. During fiscal year 2010, the School contracted with Palmer Miller Nelson Insurance Agency, Inc as follows:

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

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 6 – PURCHASED SERVICES

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Instructional Services	248,612
Traveling and Meeting Expenses	4,086
Rentals	62,943
Communication Services	349
Fiscal	16,290
Other Purchased Services	2,085
Total Purchased Services	<u><u>334,365</u></u>

NOTE 7 – CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2010.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state funding is calculated. The conclusions of this review could result in state funding being adjusted. The School does not anticipate any material adjustment for fiscal year 2010, as a result of such review.

NOTE 8 – SPONSORSHIP

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

In fiscal year 2010, payments made by the School to the Sponsor totaled \$401,778, which are reported in purchased services. This represents contract service payments for teaching, furniture and equipment, and other related services provided by the Sponsor.

**GAHANNA COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 9 – OPERATING LEASE

During fiscal year 2010, the School moved its location. The Sponsor is leasing two modular units for the next two years. The lease was executed in the name of School's Sponsor; however, the School is responsible for making the lease payments on a monthly basis. These units will be located adjacent to the High School for the convenience of both the students and teachers. The School paid \$10,517 in lease payments in fiscal year 2010 and is obligated to pay \$12,600 in lease payments in fiscal year 2011.

NOTE 10 – CHANGES IN BEGINNING NET ASSETS

Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning net assets to restate that amount to what it would have been had the error not occurred.

At June 30, 2009, intergovernmental payable reported by the School was understated. The effect of this understatement on beginning net assets is as follows:

	<u>Net Assets</u>
Ending Balance - June 30, 2009	\$ 5,536
Unrecorded Payables	<u>(20,108)</u>
Beginning Balance, July 1, 2009	<u><u>\$ (14,572)</u></u>

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Directors:

We have audited the financial statements of Gahanna Community School, formerly known as the Gahanna Alternative School, Franklin County, Ohio (the School), a component unit of the Gahanna-Jefferson City School District, as of and for the year ended June 30, 2010 as listed in the table of contents and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
Page 2

We intend this report solely for the information and use of management, Board of Directors, the School's sponsor, and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC

November 12, 2010

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on August 11, 2008.
2. We read the policy, noting it included requirements 1 – 9 below but did not include item 10 from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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

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

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



Kennedy Cottrell Richards LLC

November 12, 2010



Mary Taylor, CPA
Auditor of State

GAHANNA 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
DECEMBER 28, 2010**