OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Oakstone Community School
Franklin County
5747 Cleveland Avenue
Columbus, Ohio 43231

To the Board of Trustees:

We have audited the accompanying financial statements of Oakstone Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2009. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakstone Community School, Franklin County, Ohio, as of June 30, 2009, and the change in 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 December 16, 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.

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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

December 16, 2009

The discussion and analysis of the Oakstone Community School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets were $203,755 at June 30, 2009.

- The School had operating revenues of $5,580,048, operating expenses of $5,602,359 and non-operating revenues of $106,416 for fiscal year 2009. Total change in net assets for the fiscal year was an increase of $84,105.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year 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 assets, liabilities and net assets for fiscal year 2009 and 2008.

Assets, Liabilities and Net Assets

	2009	2008
Assets		
Current assets	$ 196,949	$ 52,414
Non-current assets, net	109,497	152,898
Total assets	306,446	205,312
Liabilities		
Current liabilities	95,091	81,785
Long term liabilities	7,600	3,877
Total liabilities	102,691	85,662
Net Assets		
Invested in capital assets	76,434	118,876
Restricted	32,000	32,000
Unrestricted (deficit)	95,321	(31,226)
Total net assets (deficit)	$ 203,755	$ 119,650

Current Assets increased significantly in fiscal year 2009. This increase was the result of large intergovernmental receivables due grant requests outstanding at June 30, 2009, and an increase in prepaids related to fringe benefits. The School's cash balance at June 30, 2009, was $83,054, an increase of $42,106 over 2008.

At June 30, 2009, capital assets represented 24.9% of total assets. Capital assets consisted of furniture and computer 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.

Current liabilities increased in fiscal year 2009 due to larger accounts payable outstanding as of year end and an increase in intergovernmental payable related to the Ohio Department of Education FTE Review (see Note 13 B). The increases in accounts and intergovernmental payables were offset by decreases in accrued wages due a change in pay dates.

The School's long term liabilities consist of compensated absences only.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School's net assets were $203,755 compared to $119,650 at June 30, 2008. The School's net assets increased $84,105 during fiscal year 2009 primarily due to the increasing enrollment and controlling costs to increase cash reserves.

The table below shows the changes in net assets for fiscal year 2009 and 2008.

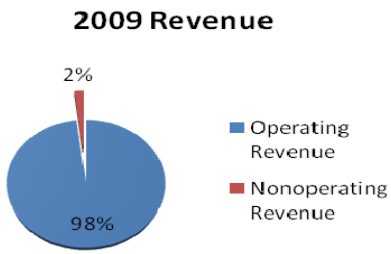
Change in Net Assets

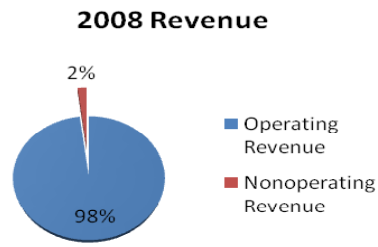
	2009	2008
Operating Revenues:		
State foundation	$ 5,447,783	$ 4,523,701
Charges for services	131,842	84,000
Other	423	1,057
Total operating revenue	5,580,048	4,608,758
Operating Expenses:		
Salaries and wages	564,551	521,124
Fringe benefits	146,070	130,380
Purchased services	4,838,949	4,091,219
Materials and supplies	7,577	255
Depreciation and amortization	43,401	43,401
Other	1,811	3,932
Total operating expenses	5,602,359	4,790,311
Non-operating Revenues:		
Federal and State grants	105,645	89,166
Interest income	771	3,022
Total non-operating revenues	106,416	92,188
Change in net assets	84,105	(89,365)
Net assets (deficit) at beginning of year	119,650	209,015
Net assets at end of year	$ 203,755	$ 119,650

State foundation revenue increased because enrollment for the School went from 161 students during fiscal year 2008 to 193 students during fiscal year 2009. Charges for services revenue increased as the School provided more education services to students placed in OCS classrooms. Interest income decreased as interest rates significantly declined throughout the year. Federal and State grant revenue increased slightly due to increased allocations and more funds utilized during fiscal year 2009.

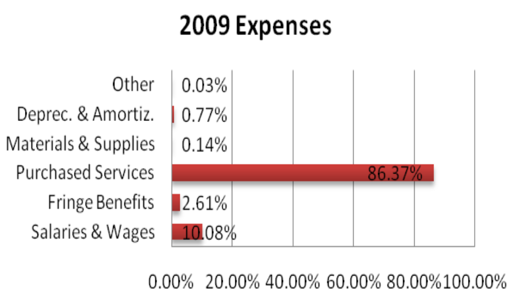
Salaries and wages increased during 2009 with the addition of one full time and one part time teacher due to increased enrollment. These increases were offset by the elimination of a social worker position at the beginning of the year and an aide position during the year. Purchased services increased due to the increase in enrollment and general increases in costs. Materials and supplies increased due to the utilization of grant funds for needed resources.

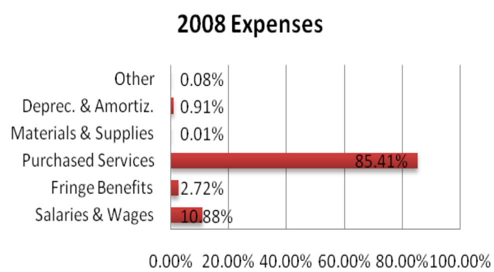
The charts below illustrate the revenues for the School during fiscal 2009 and 2008.





The charts below illustrate the expenses for the School during fiscal 2009 and 2008.





Capital Assets

At June 30, 2009, the School had $76,434 invested in furniture and computer equipment. Capital assets decreased $42,442 in 2009. The School had no capital asset additions and $42,442 in depreciation expense for the year. See Note 4 to the basic financial statements for more detail on capital assets.

Debt Administration

In a prior fiscal year, the School entered into a line of credit agreement which would allow the School to borrow up to $100,262. The School did not borrow from this line of credit during fiscal year 2009. At June 30, 2009, the School had no debt outstanding.

Current Financial Related Activities

The School is sponsored by the Educational Service Center of Central Ohio. The School is reliant upon State Foundation monies and State and Federal 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 Johanna Gladman, CPA, Fiscal Officer, Oakstone Community School, 5747 Cleveland Avenue, Columbus, Ohio 43231.

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Cash	$ 83,054
Intergovernmental Receivable	90,429
Prepaids	23,466
Total current assets	196,949
Non-current assets:	
Security deposit	32,000
Oganizational costs, net of amortization	1,063
Capital assets, net	76,434
Total non-current assets	109,497
Total assets	306,446
Liabilities:	
Current:	
Accounts payable	30,139
Accrued wages and benefits	51,800
Intergovernmental payable	13,152
Total current liabilities	95,091
Long-term liabilities:	
Compensated absences	7,600
Total liabilities	102,691
Net Assets:	
Invested in capital assets	76,434
Restricted for:	
Security deposit	32,000
Unrestricted	95,321
Total net assets	$ 203,755

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Operating revenues:		
State foundation	$	5,447,783
Charges for services		131,842
Other		423
Total operating revenues		5,580,048
Operating expenses:		
Salaries and wages		564,551
Fringe benefits		146,070
Purchased services		4,838,949
Materials and supplies		7,577
Depreciation and amortization		43,401
Other		1,811
Total operating expenses		5,602,359
Operating loss		(22,311)
Non-operating revenues:		
Federal and state grants		105,645
Interest income		771
Total non-operating revenues		106,416
Change in net assets		84,105
Net assets at beginning of year		119,650
Net assets at end of year	$	203,755

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

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

Cash flows from operating activities:	
Cash received from State foundation	$ 5,452,969
Cash received from other operations	423
Cash payments for salaries and benefits	(728,731)
Cash payments to suppliers for goods and services	(4,690,089)
Cash payments for materials and supplies	(4,658)
Cash payments for other operating activities	(1,811)
Net cash provided by operating activities	28,103
Cash flows from noncapital financing activities:	
Federal and state grants	13,232
Net cash provided by noncapital financing activities	13,232
Cash flows from investing activities:	
Interest received	771
Net cash provided by investing activities	771
Net increase in cash and cash equivalents	42,106
Cash and cash equivalents at beginning of year	40,948
Cash and cash equivalents at end of year	$ 83,054
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (22,311)
Adjustments:	
Depreciation and amortization	43,401
Changes in assets and liabilities:	
Decrease in accounts receivable	1,377
Increase in intergovernmental receivable	(56)
Increase in prepayments	(13,377)
Increase in accounts payable	21,126
Decrease in accrued wages and benefits	(9,888)
Increase in intergovernmental payable	4,108
Increase in compensated absences payable	3,723
Net cash provided by operating activities	$ 28,103

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL

The Oakstone Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. 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 special needs children with Autism Spectrum Disorders. Specific activities in support of the School include general teaching, therapy and socialization activities. 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 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 Delaware-Union Educational Service Center (the "Sponsor") for a period of five years commencing September 20, 2004. On January 1, 2009, the School's sponsor, Delaware-Union Educational Service Center merged with the Educational Service Center of Franklin County to form the Educational Service Center of Central Ohio (ESCCO). The School began operations on October 4, 2004. 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 seven-member Board of Trustees. 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 is staffed by 3 non-certified staff members and 9 certificated personnel who provide services to 193 students.

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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

E. Cash

Cash received by the School is reflected as "Cash" on the statement of net assets. The School did not have any investments during the period ended June 30, 2009.

F. Capital Assets and Depreciation

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 maintains a capitalization threshold of $1,000. 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. The School does not capitalize interest.

All capital assets are depreciated. The School's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Furniture and equipment are depreciated over five years.

G. Compensated Absences

Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Unused sick leave is banked for use during the following school year but is only paid out upon resignation or termination after ten years of employment with the School. The School records a liability for employees with accumulated unused vacation leave when earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the School and the expense is recorded when used. The School has prepaid items of $23,466 at June 30, 2009.

I. 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, either through enabling legislation adopted by the School 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. The School had restricted net assets related to amounts held by a lessor as part of the School's lease agreement.

J. 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.

K. Estimates

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

NOTE 3 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2009, the carrying amount of the School's deposits was $83,054 and the bank balance was $98,281. 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 School.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Depreciable capital assets:				
Furniture	$ 4,500	$ -	$ -	$ 4,500
Equipment	207,704	-	-	207,704
Less: accumulated depreciation	(93,328)	(42,442)	-	(135,770)
Capital assets, net	$ 118,876	$ (42,442)	$ -	$ 76,434

NOTE 5 - BUILDING LEASE AND SECURITY DEPOSIT

The School operations are located in space leased from the Children's Center for Developmental Enrichment (CCDE). As part of the original lease agreement from fiscal year 2005, the School was required to pay a security deposit of $32,000. This amount is being held by the Lessor and will be remitted to the School at the end of the lease if all lease commitments are paid. The lease agreement for fiscal year 2009 required $156,000 in lease payments. The lease expired on June 30, 2009, but was renewed for fiscal year 2010.

NOTE 6 - RECEIVABLES

The School had no accounts receivable as of June 30, 2009. The School had $90,429 in intergovernmental receivables outstanding at June 30, 2009.

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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were $16,523, $17,533, and $10,347, respectively. The School has contributed $1,930 above the required amounts and this has been recorded as a prepaid.

NOTE 7 - PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 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 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.

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.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $49,761, $43,675, and $38,655, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007. The School has contributed $18,665 above the required amounts and this has been recorded as a prepaid.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits
In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan
The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40, SERS' reimbursement to retirees was $45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund.

For fiscal year 2009, the actuarially required allocation is .75%. School contributions for the years ended June 30, 2009 and 2008 $1,363 and $1,263, respectively, which equaled the required contributions each year.

Health Care Plan
ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were $7,562, $8,001 and $2,649, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for healthcare coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $3,828, $3,360, and $2,973 respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

NOTE 9 - RISK MANAGEMENT

A. 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. During the period ended June 30, 2009, the School contracted with Philadelphia Insurance Company for insurance as follows:

Insurance Type	Coverage	Deductible
Property Insurance	$ 115,000	$ 2,500
Electronic Data Processing	455,000	500
Commercial General Liability	1,000,000 Each Occurence	-
	2,000,000 Aggregate	-
Abuse	1,000,000 Each Occurrence	-
	2,000,000 Each Occurence	-
Blanket Employee Dishonesty	250,000	2,500
Directors and Officers	2,000,000	2,500
Employment Practices	2,000,000	5,000

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the state. The School owed $3,967 for this premium on January through June 2009 wages and accrued wages. The liability is reflected in the financial statements at June 30, 2009.

NOTE 10 - EMPLOYEE BENEFITS

The School provides healthcare and dental insurance for all eligible employees. The School pays 70% of the monthly premium and the employee is responsible for 30%. The School provides basic life and accidental death and dismemberment insurance to employees. Employees also have the option of paying for additional insurance benefits above the basic level. The School also provides short term disability benefits for eligible employees.

NOTE 11 - PURCHASED SERVICES

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Rent	$ 156,000
Management Services	34,000
Summer Services	192,360
Placement Contract	4,383,746
Consulting Services	5,600
Sponsor Services	28,859
Audit Services	6,738
Professional Memberships and Training	5,610
Banking Services	1,316
Other (Advertising, etc.)	1,141
Insurance	11,451
Computer Consortium and EMIS Services	12,128
Total	$ 4,838,949

NOTE 12 - CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on September 20, 2004 and continuing through September 19, 2009 with Delaware-Union Educational Service Center (the "Sponsor") for its establishment. Under the contract, the following terms were agreed upon:

- The School shall operate in substantial compliance with its "Educational Program", which contains the School's mission, educational philosophy, the ages and grades of students, the characteristics of the students the School is expected to attract, the School calendar, the academic goals and the method of measurement that will be used to determine progress toward those goals, graduation requirements, and the focus of the curriculum.

NOTE 12 – CONTRACTS (Continued)

A. Sponsor Contract (Continued)

- The School shall operate in substantial compliance with a "Financial Plan", which establishes an estimated school budget for each year and a total estimated per pupil expenditure amount for each such year.

- The School shall secure the services of a Chief Executive Officer, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of the School, and a liaison between the School and Sponsor.

- The School shall annually pay to the Sponsor, from funding provided to the School by the Ohio Department of Education (ODE) pursuant to Section 3314.08 of the Ohio Revised Code, $155 per student per year and such other amounts as mutually agreed, including fees for any services provided to the School by the Sponsor.

B. Management Contract

The School entered into an Administrative Management agreement with CCDE for Administrative Services for the period July 1, 2008 through June 30, 2009 in the amount of $34,000. CCDE will provide services in the area of human resources, accounting, staff training and support, secretarial, administrative, data entry, and curriculum and program development and provide supplies and materials if necessary. Payments to CCDE for Administrative Services amounted to $34,000 during fiscal year 2009. The management contract was renewed for fiscal year 2009.

C. Service Contract

The School entered into a Placement Contract with CCDE to provide for educational services to certain students in order to assist the School in meeting the educational needs and to provide the necessary services of the student's Individual Educational Plan. The required amount due to CCDE under the Placement Contract was $4,383,746 during fiscal year 2009. The School offset these costs with $131,842 in charges for services revenue from CCDE in fiscal year 2009 and paid the remaining balance of $4,251,904 during the fiscal year.

NOTE 13 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2009.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2009 review resulted in the discovery of an overpayment to the School in the amount of $5,217. This amount will be deducted from the School's foundation funding during fiscal year 2010 and is included in intergovernmental payable at June 30, 2009.

NOTE 14 - DEBT ADMINISTRATION

On November 15, 2005, the School entered into a line of credit agreement with an initial interest rate of 8.00% that would allow the School to borrow up to $100,262. During fiscal year 2009, the School did not draw from the line of credit and at June 30, 2009 the School had no debt outstanding.

NOTE 15 - SUBSEQUENT EVENT

On June 22, 2009, the School entered into a sponsor contract with the Educational Service Center of Central Ohio (ESCCO) effective July 1, 2009. The ESCCO will perform the duties and responsibilities as sponsor of the School through June 30, 2014.

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

Oakstone Community School
Franklin County
5747 Cleveland Avenue
Columbus, Ohio 43231

To the Board of Trustees:

We have audited the financial statements of Oakstone Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 16, 2009. 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 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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*.

We intend this report solely for the information and use of the management, Board of Trustees and the Educational Service Center of Central Ohio. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 16, 2009

Mary Taylor, CPA
Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Oakstone Community School
Franklin County
5747 Cleveland Avenue
Columbus, Ohio 43231

To the Board of Trustees:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 29, 2009.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (5) A procedure for documenting any prohibited incident that is reported;

   (6) A procedure for responding to and investigating any reported incident;

   (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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(8) 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;

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) 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;

   (2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 16, 2009

Mary Taylor, CPA
Auditor of State

OAKSTONE 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
FEBRUARY 4, 2010

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