

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY**

Financial Statements

**For the Fiscal Year Ended
June 30, 2008**



Mary Taylor, CPA
Auditor of State

Governing Board
Pshtecin Public School
985 Mediterranean Avenue
Columbus, Ohio 43229

We have reviewed the *Independent Accountants' Report* of the Pshtecin Public School, Franklin County, prepared by Hemphill & Associates, for the audit period July 1, 2007 through June 30, 2008. 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 Pshtecin Public School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2009

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**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Pschtecin Public School
Franklin County
975 Mediterranean Avenue
Columbus, Ohio 43229

To the Governing Board:

We have audited the accompanying financial statements of the Pschtecin Public School, Franklin County, (the School) as of and for the fiscal year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 the Pschtecin Public School, Franklin County, as of June 30, 2008, and the respective changes in financial position and cash flows, thereof 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 January 19, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audits. You should read it in conjunction with this report in assessing the results of our audit.



**INDEPENDENT ACCOUNTANTS' REPORT
(CONTINUED)**

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.

Columbus, Ohio
January 19, 2009

Hemphill & Associates



PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The management's discussion and analysis of Pschtecin Public School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets were \$74,103 at June 30, 2008.
- The School had operating revenues of \$556,273 and operating expenses of \$749,553 for fiscal year 2008. The School also received \$117,872 in federal and state grants during fiscal year 2008. Total change in net assets for the fiscal year was a decrease of \$76,844.

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

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

PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

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

	2008	2007
Net Assets		
<u>Assets</u>		
Current assets	\$ 13,520	\$108,930
Security deposits	2,000	2,000
Capital assets, net	91,728	56,754
Total assets	107,248	167,684
<u>Liabilities</u>		
Current liabilities	33,145	16,737
Total liabilities	33,145	16,737
<u>Net Assets</u>		
Invested in capital assets, net of related debt	83,642	57,384
Restricted	2,066	168,962
Unrestricted (deficit)	(11,605)	(75,399)
Total net assets	\$ 74,103	\$150,947

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School's net assets totaled \$74,103. Current assets decreased and current liabilities, including accrued wages and accounts payable, increased during fiscal year 2008 as a result of increased expenditures related to the increase in enrollment and additional teaching staff.

The revenues generated by community schools are heavily dependent upon per-pupil allotment given by the state foundation program and federal entitlement programs. Foundation payments comprised 82.51% of total operating and non-operating revenues during fiscal year 2008. The growth in funding corresponds to the growth in per pupil allotment. Enrollment for fiscal year 2008 was 85 students compared to 68 during fiscal year 2007.

PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

	Change in Net Assets	
	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
State foundation	\$ 556,273	\$ 381,174
Special education	-	63,822
Total operating revenue	<u>556,273</u>	<u>444,996</u>
<u>Operating Expenses:</u>		
Salaries and wages	215,511	260,637
Fringe benefits	67,490	34,021
Purchased services	359,038	225,698
Materials and supplies	81,637	63,970
Depreciation	20,883	14,622
Other	4,994	1,607
Total operating expenses	<u>749,553</u>	<u>600,555</u>
<u>Non-operating revenues:</u>		
Federal and state grants	117,872	293,826
Interest income	28	44
Loss on sale of capital assets	(1,464)	-
Total non-operating revenues	<u>116,436</u>	<u>293,870</u>
Change in net assets	(76,844)	138,311
Net assets at beginning of year	<u>150,947</u>	<u>12,636</u>
Net assets at end of year	<u>\$ 74,103</u>	<u>\$ 150,947</u>

Capital Assets

At June 30, 2008, the School had \$91,728 invested in computers and furniture, fixtures, and equipment, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2008, the School had no debt obligations outstanding.

PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Current Financial Related Activities

The inclusion of the Lucas County Educational Service Center as the School's fiscal agent greatly improves its internal control structure and the quality of its financial records. During the fiscal year ended June 30, 2008, there were approximately 85 students enrolled in the School. The School receives its finances mostly from the state foundation.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Martin Ashley, Superintendent, 975 Mediterranean Ave, Columbus, Ohio 43229 or at mashley875@sbcglobal.net.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	2008
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,593
Receivables:	
Accounts	31
Intergovernmental	5,978
Prepayments	1,918
Total current assets	13,520
Non-current assets	
Security deposits	2,000
Capital assets, net	91,728
Total non-current assets	93,728
TOTAL ASSETS	\$ 107,248
LIABILITIES	
Current liabilities	
Accounts payable	\$ 11,601
Accounts payable related to capital assets	8,086
Accrued wages and benefits	1,853
Intergovernmental payable	5,161
Pension obligation payable	6,444
Total current liabilities	33,145
TOTAL LIABILITIES	33,145
NET ASSETS	
Invested in capital assets, net of related debt	83,642
Restricted for:	
Federally funded programs	2,066
Unrestricted (deficit)	(11,605)
TOTAL NET ASSETS	\$ 74,103

See Accompanying Notes to the Basic Financial Statements

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008**

	<u>2008</u>
Operating revenues:	
State foundation	\$ 556,273
Total Operating revenue	<u>556,273</u>
Operating expenses:	
Salaries and wages	215,511
Fringe benefits	67,490
Purchased services	359,038
Materials and supplies	81,637
Depreciation	20,883
Other	4,994
Total Operating expenses	<u>749,553</u>
Operating loss	<u>(193,280)</u>
Non-operating revenues (expenses):	
Federal and state grants	117,872
Interest income	28
Loss on sale of capital assets	<u>(1,464)</u>
Total Non-operating revenues (expenses)	<u>116,436</u>
Change in net assets	(76,844)
Net assets at beginning of year	<u>150,947</u>
Net assets at end of year	<u><u>\$ 74,103</u></u>

See Accompanying Notes to the Basic Financial Statements

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008**

	<u>2008</u>
Cash flows from operating activities:	
Cash received from state foundation	\$ 556,273
Cash payments for salaries and wages	(222,002)
Cash payments for fringe benefits	(58,956)
Cash payments to suppliers for goods and services	(354,785)
Cash payments for materials and supplies	(80,754)
Cash payments for other expenses	(4,848)
Net cash used in operating activities	<u>(165,072)</u>
Cash flows from noncapital financing activities:	
Federal and state grants	129,537
Net cash provided by noncapital financing activities	<u>129,537</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	4,466
Acquisition of capital assets	(54,201)
Net cash used in capital and related financing activities	<u>(49,735)</u>
Cash flows from investing activities:	
Interest received	28
Net cash provided by investing activities	<u>28</u>
Net decrease in cash and cash equivalents	(85,242)
Cash and cash equivalents at beginning of period	<u>90,835</u>
Cash and cash equivalents at end of period	<u><u>\$ 5,593</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (193,280)
Adjustments:	
Depreciation	20,883
Changes in assets and liabilities:	
Decrease in accounts receivable	5,161
Increase in prepayments	(31)
Increase in accounts payable	(1,466)
Decrease in accrued wages and benefits	6,444
Increase in intergovernmental payable	3,408
Decrease in pension obligation payable	(6,191)
Net cash used in operating activities	<u><u>\$ (165,072)</u></u>

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Pschtecin Public School (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code exclusively for educational purposes. The School’s mission is to provide fifteen to twenty-one year old students and eighth through twelfth grade educational program with a better option to achieve high academic standards. The School, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes and as a 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 was approved for operation under a contract with the Lucas County Educational Service Center that began on April 28, 2005. The sponsorship was then assigned to Buckeye Community Hope Foundation (“BCHF”) on July 21, 2005, and will expire on June 30, 2009. 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 Governing Board. The governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board controls the School’s instructional support facility staffed by 4 non-certified and 4 certified full-time teaching personnel who provide services to 85 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASP) 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.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
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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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. 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 statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

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

Community schools must adopt a spending plan under Ohio Revised Code. Section 5705.391 requires annual appropriations and annual revenues estimates. The contract between the School and its Sponsor requires the school to comply with the financial plan that details an estimated budget for each year of the contract.

E. Cash and Cash Equivalents

All monies received by the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the School's name.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
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For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit fiscal years beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year ended in which services are consumed.

G. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the fiscal year. Donated assets are recorded at their fair market value as of the date received. The School 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Computers and furniture, fixtures and equipment are depreciated over five years.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Operating Revenues and Expenses

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

J. Intergovernmental Revenues

The School currently participates in the State Foundation Basic Aid, Poverty-Based Assistance, State Special Education, Title I, Title V, Title VI-A, Title II-A, Public Charter Schools Programs and Federal Food Service Programs.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASP Statement No. 45 did not have an effect on the financial statements of the School; however, certain disclosures related to postemployment benefits (see Note 9) have been modified to conform to the new reporting requirements.

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

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the School.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk beyond the requirement of state statute. At June 30, 2008, the carrying amount of the School's deposits was \$5,593 and the bank balance was \$13,421. 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 nonprofit corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	<u>Amount</u>
Intergovernmental	
Public Charter Schools Program	\$ 5,058
Federal food service	920
Total intergovernmental receivable	<u>5,978</u>
Accounts receivable	<u>31</u>
Total receivables	<u><u>\$ 6,009</u></u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for fiscal year 2008 was as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Capital assets:				
Computers	\$ 38,641	\$ 26,127	\$ (7,666)	\$ 57,102
Furniture, fixtures & equipment	34,878	35,660	-	70,538
Total capital assets	<u>73,519</u>	<u>61,787</u>	<u>(7,666)</u>	<u>127,640</u>
Less: accumulated depreciation:				
Computers	(8,265)	(10,341)	1,736	(16,870)
Furniture, fixtures & equipment	(8,500)	(10,542)	-	(19,042)
Total accumulated depreciation	<u>(16,765)</u>	<u>(20,883)</u>	<u>1,736</u>	<u>(35,912)</u>
Capital assets, net	<u>\$ 56,754</u>	<u>\$ 40,904</u>	<u>\$ (5,930)</u>	<u>\$ 91,728</u>

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 7 - RISK MANAGEMENT

A. Comprehensive

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2008, the School contracted with the Indiana Insurance Company and had the following insurance coverage:

Coverage	Limits of Coverage
Commercial General Liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Damage to rented premises	300,000
Medical expense	15,000
Personal injury	1,000,000
Business Automobile:	
Combined single limit	1,000,000
Business Personal Property:	
985 Mediterranean - \$250 deductible	25,000
997 Mediterranean - \$250 deductible	20,000
Umbrella liability	
Each occurrence/aggregate	1,000,000
Retained limit	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage.

B. Workers' Compensation

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

C. Employee Medical Benefits

The School has contracted through an independent agent to provide employee medical insurance to its full time employees. The School pays a portion of the monthly premiums for all selected coverage (medical).

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$4,244, \$5,422, and \$2,702, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 8 - PENSION PLANS (continued)

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$22,837, \$26,417, and \$13,639, respectively; 74.68 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 432 15-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,021, \$2,004, and \$1,403, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$306, \$369, and \$215, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,757, \$1,599, and \$1,525, respectively; 74.68 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 10 - FISCAL AGENT

The School entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the revenue received by the School. A total contract payment of \$13,676 was paid during fiscal year 2008, which includes a liability of \$1,919 which is reported as "due to other governments" on the basic financial statements

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the School:

- Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and expending state funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of the State of Ohio;
- Invest funds of the School in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the School so long as the proposed expenditure is within the approved budget and funds are available.

NOTE 11 - MANAGEMENT AGREEMENT

The School contracts with MJ Ashley Realty LLC to serve as the School's management company. MJ Ashley Realty LLC agrees to provide such requisite management, educational, financial, and other consulting services for a variety of services, including management of personnel and human resources, the program of instruction, purchasing, strategic planning,

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 11 - MANAGEMENT AGREEMENT (continued)

public relations, financial reporting, compliance issues, budgets, contracts, and equipment and facilities.

Per the management agreement with the School, MJ Ashley Realty LLC is entitled to up to 15% of revenues received as per-pupil allotment from the State of Ohio. The management fee paid for fiscal year 2008 totaled \$83,440. MJ Ashley Realty LLC is owned by Martin Ashley, Superintendent of the School.

NOTE 12 - RELATED PARTY TRANSACTIONS

The School contracts with MJ Ashley Realty LLC, which is owned by Martin Ashley, Superintendent of the School. MJ Ashley Realty, LLC received a total of \$216,558 during fiscal year 2008. This amount consisted of \$83,440 in management fees and \$133,118 in salaries paid to Martin and Jeanie Ashley. These amounts are reflected in the Purchased Service line item on the Statement of Revenue, Expenses and Changes in Net Assets.

NOTE 13 - PURCHASED SERVICES

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

Professional and technical services	\$ 304,921
Property services	38,832
Travel	2,192
Communications	6,838
Utilities	5,607
Contracts	115
Other purchased services	533
Total	<u>\$ 359,038</u>

NOTE 14 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2008, MJ Ashley Realty LLC incurred the following expenses on behalf of the School:

Direct Expenses:	
Travel	<u>\$ 8,045</u>
Total Expenses	<u>\$ 8,045</u>

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 14 - MANAGEMENT COMPANY EXPENSES (continued)

The school paid MJ Realty, LLC a total of \$216,558 during the year ended June 30, 2008. MJ Realty, LLC is wholly owned by Martin Ashley. The difference between the total amount paid to MJ Ashley Realty, LLC and the expenses incurred on behalf of the School is the compensation for Martin Ashley to serve as the Superintendent of the School and for Jeanie Ashley to serve as the Office Manager of the School.

NOTE 15 - OPERATING LEASES

The School entered into a School facility operating lease through September 14, 2006, with Rainbow Development Corporation, with an option to renew for four successive additional period of twelve months each. This lease was renewed on an annual basis starting September 15, 2007, through September 14, 2008, at a rate of \$2,400 per month.

The School entered into an additional school facility operating lease for additional space, with Rainbow Development Corporation, on August 22, 2007, for a period of twelve months, at a rate of \$985 per month. Payments for operating leases totaled \$39,635 for the fiscal year ended June 30, 2008.

NOTE 16 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

B. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al.*, Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 16 - CONTINGENCIES (continued)
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The School is not involved in any other litigation that, in the opinion of management, would have material effect on the financial statements.

C. 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 School anticipates no adjustments to state funding for fiscal year 2009, as a result of the reviews which have yet to be completed.



**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Pshtecin Public School
Franklin County
975 Mediterranean Avenue
Columbus, Ohio 43229

To the Governing Board:

We have audited the financial statements of Pshtecin Public School (the Entity) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated January 19, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pshtecin Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity'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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***
(continued)

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pschtecin Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Columbus, Ohio
January 19, 2009

Hemphill & Associates



Mary Taylor, CPA
Auditor of State

PSCHTECIN PUBLIC 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
JULY 7, 2009**