



Dave Yost • Auditor of State

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the accompanying basic financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2011, 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 financial position of the Sciotoville Community School, Scioto County, Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 8, 2012

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Sciotoville Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. 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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- Net assets increased \$5,042, which was insignificant.
- Total assets decreased \$92,417, which was primarily due to a decrease in cash and cash equivalents. Cash and cash equivalents decreased primarily due to a decrease in State Foundation monies and federal grants.
- Total liabilities decreased \$97,459. This was mainly due to a decrease in accounts payable which resulted from the timely payment of obligations for supplies and utilities received during the fiscal year. Compensated absences payable also decreased due to the retirement of employees during fiscal year 2011 with large outstanding balances.

Using this Financial Report

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

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2011?" These statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and liabilities are reported, both short and long-term. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the fiscal year, regardless of when the cash is received or paid.

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1 provides a summary of the School's net assets for fiscal year 2011 and fiscal year 2010:

(Table 1)
Net Assets

	2011	2010	Increase (Decrease)
Assets:			
Current Assets	\$1,435,856	\$1,498,887	(\$63,031)
Land	378,902	378,902	0
Depreciable Capital Assets, Net	2,790,011	2,819,397	(29,386)
<i>Total Assets</i>	<u>4,604,769</u>	<u>4,697,186</u>	<u>(92,417)</u>
Liabilities:			
Current Liabilities	453,798	529,266	(75,468)
Non-Current Liabilities	6,994	28,985	(21,991)
<i>Total Liabilities</i>	<u>460,792</u>	<u>558,251</u>	<u>(97,459)</u>
Net Assets:			
Invested in Capital Assets	3,168,913	3,198,299	(29,386)
Restricted for Other Purposes	554,510	349,894	204,616
Unrestricted	420,554	590,742	(170,188)
<i>Total Net Assets</i>	<u>\$4,143,977</u>	<u>\$4,138,935</u>	<u>\$5,042</u>

Total assets decreased \$92,417. This decrease was primarily due to a decrease in cash and cash equivalents. Cash and cash equivalents decreased primarily due to decreases in State Foundation monies and federal grants. The decrease in federal grants resulted from the discontinuation of the Federal Startup Grant for fiscal year 2011 at the Academy.

Depreciable capital assets decreased \$29,386 primarily due to current fiscal year depreciation exceeding additions.

Total liabilities decreased \$97,459. This was mainly due to a decrease in accounts payable which was due to the timely payment of obligations for supplies and utilities received during the fiscal year. Compensated absences payable also decreased due to the retirement of employees during fiscal year 2011 with large outstanding balances.

Net assets increased \$5,042, which was insignificant.

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010, as well as a listing of revenues and expenses.

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 2)
Change in Net Assets

	2011	2010	Increase (Decrease)
Operating Revenues:			
Extracurricular and Lunchroom Sales	\$103,126	\$122,401	(\$19,275)
Foundation Payments	3,070,967	3,209,959	(138,992)
Charges for Sales and Services	1,010	1,800	(790)
Other Revenues	33,621	27,090	6,531
Non-Operating Revenues:			
Federal Donated Commodities	40,282	46,343	(6,061)
Federal and State Meals Subsidies	152,266	177,236	(24,970)
Other Federal and State Grants	1,241,423	1,289,897	(48,474)
Interest	0	276	(276)
Other	31,948	24,996	6,952
<i>Total Revenues</i>	<u>4,674,643</u>	<u>4,899,998</u>	<u>(225,355)</u>
Operating Expenses:			
Salaries	2,539,126	2,447,830	91,296
Fringe Benefits	909,131	903,016	6,115
Purchased Services	485,191	468,241	16,950
Materials and Supplies	308,828	459,881	(151,053)
Cost of Sales	103,434	129,406	(25,972)
Depreciation	158,415	136,822	21,593
Other Expenses	165,476	135,958	29,518
Non-Operating Expenses:			
Loss on Sale of Capital Assets	0	1,000	(1,000)
<i>Total Expenses</i>	<u>4,669,601</u>	<u>4,682,154</u>	<u>(12,553)</u>
 Change in Net Assets	 5,042	 217,844	 (212,802)
 <i>Net Assets at Beginning of Year</i>	 <u>4,138,935</u>	 <u>3,921,091</u>	 <u>217,844</u>
 <i>Net Assets at End of Year</i>	 <u><u>\$4,143,977</u></u>	 <u><u>\$4,138,935</u></u>	 <u><u>\$5,042</u></u>

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

There was a decrease in revenue of \$225,355 primarily due to decreases in State Foundation monies and Federal Grants. The decrease in federal grants was mainly due to the discontinuation of the Federal Startup Grant for fiscal year 2011 at the Academy. Overall, there was only a decrease in total expenses of \$12,553. The most significant decrease in expenses was in Material and Supplies in the amount of \$151,053. This decrease was mainly due to a significant amount of supplies and educational materials purchased at the Academy in fiscal year 2010 that were not capitalized. The most significant increase in expenses was in salaries, which was \$91,296. This increase was primarily due to salary increases and an increase in the use of substitute teachers due to the extended absences of several full-time teachers.

Capital Assets

At the end of fiscal year 2011, the School had \$3,168,913 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represents a decrease of \$29,386 from fiscal year 2010. The decrease was primarily due to current fiscal year depreciation exceeding additions.

For more information on capital assets see Note 5 to the basic financial statements.

Current Issues

The contract with the Montgomery County Educational Service Center (MCESC), which established the MCESC as the School's sponsor effective April 24, 2007, was terminated and the School signed a contract with the Thomas B. Fordham Foundation as its Sponsor effective July 1, 2011.

Contacting the School's Financial Management

This financial report is designed to provide our citizens 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 information, contact Kelli Hunter, Treasurer, at Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at kelli.hunter@east.k12.oh.us.

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Net Assets

June 30, 2011

Assets:

Current Assets:

Cash and Cash Equivalents	\$880,567
Intergovernmental Receivables	523,579
Inventory Held for Resale	16,367
Materials and Supplies Inventory	9,665
Prepaid Items	5,678
Total Current Assets	<u>1,435,856</u>

Non-Current Assets:

Capital Assets:	
Land	378,902
Depreciable Capital Assets, Net	2,790,011
Total Non-Current Assets	<u>3,168,913</u>

Total Assets 4,604,769

Liabilities:

Current Liabilities:

Accounts Payable	11,704
Accrued Wages and Benefits Payable	316,252
Intergovernmental Payable	80,898
Compensated Absences Payable	22,487
Undistributed Monies	22,457
Total Current Liabilities	<u>453,798</u>

Non-Current Liabilities:

Compensated Absences Payable	<u>6,994</u>
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Total Liabilities 460,792

Net Assets:

Invested in Capital Assets	3,168,913
Restricted for Other Purposes	554,510
Unrestricted	<u>420,554</u>

Total Net Assets \$4,143,977

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Operating Revenues:	
Extracurricular and Lunchroom Sales	\$103,126
Foundation Payments	3,070,967
Charges for Sales and Services	1,010
Other Revenues	33,621
	<hr/>
<i>Total Operating Revenues</i>	<i>3,208,724</i>
	<hr/>
Operating Expenses:	
Salaries	2,539,126
Fringe Benefits	909,131
Purchased Services	485,191
Materials and Supplies	308,828
Cost of Sales	103,434
Depreciation	158,415
Other Expenses	165,476
	<hr/>
<i>Total Operating Expenses</i>	<i>4,669,601</i>
	<hr/>
<i>Operating Loss</i>	<i>(1,460,877)</i>
	<hr/>
Non-Operating Revenues/Expenses:	
Federal Donated Commodities	40,282
Federal and State Meals Subsidies	152,266
Other Federal and State Grants	1,241,423
Other	31,948
	<hr/>
<i>Total Non-Operating Revenues</i>	<i>1,465,919</i>
	<hr/>
<i>Change in Net Assets</i>	<i>5,042</i>
	<hr/>
<i>Net Assets at Beginning of Year</i>	<i>4,138,935</i>
	<hr/>
<i>Net Assets at End of Year</i>	<i>\$4,143,977</i>
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See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$104,136
Cash Received from Others	33,621
Cash Received from Foundation Payments	3,070,967
Cash Payments to Suppliers for Goods and Services	(933,039)
Cash Payments to Employees for Services	(2,550,030)
Cash Payments for Employee Benefits	(943,436)
Cash Payments to Others	<u>(165,476)</u>

Net Cash Used for Operating Activities (1,383,257)

Cash Flows from Noncapital Financing Activities:

Other Non-Operating Revenues	54,621
Other Non-Operating Expenses	(18,008)
Federal and State Subsidies Received	174,321
Operating Grants Received	<u>1,088,228</u>

Net Cash Provided by Noncapital Financing Activities 1,299,162

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(129,029)</u>
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Net Decrease in Cash and Cash Equivalents (213,124)

Cash and Cash Equivalents at Beginning of Year 1,093,691

Cash and Cash Equivalents at End of Year \$880,567

(continued)

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$1,460,877)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 158,415

Donated Commodities Received During the Year 40,282

Changes in Assets and Liabilities:

Decrease in Prepaid Items 1,053

Increase in Inventory Held for Resale (15,002)

Increase in Materials and Supplies Inventory (5,004)

Decrease in Accounts Payable (50,445)

Decrease in Accrued Wages and Benefits Payable (28,141)

Decrease in Intergovernmental Payable (129)

Decrease in Compensated Absences Payable (23,409)

Total Adjustments 77,620

Net Cash Used for Operating Activities (\$1,383,257)

Non-Cash Transactions:

During fiscal year 2011, the School received \$40,282 in donated commodities.

During fiscal year 2011, the School traded in an asset with a book value of \$10,639.

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Sciotoville Community School (the "School"), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through 12. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Sciotoville Community School qualifies as an exempt organization under Section 501c (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.

On April 24, 2007, the Montgomery County Educational Service Center signed a renewal contract with the School to be the School's Sponsor effective July 1, 2007. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board members are elected at-large by the citizens of the community for staggered four-year terms. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's one instructional/support facility staffed by 9 non-certified and 43 certificated full-time teaching personnel who provide services to 448 students.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the Sciotoville Community School, this includes general operations, food service, and student related activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the issuance of debt. The Sciotoville Elementary Academy (the "Academy"), which began operations July 1, 2008, is governed by the same Board of Directors as the Sciotoville Community School. Therefore, for financial reporting purposes, it is combined with the financial statements of the Sciotoville Community School.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Separate financial statements for the Sciotoville Elementary Academy may be obtained by contacting Kelli Hunter, Treasurer, at Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or email at kelli.hunter@east.k12.oh.us.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

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.

During the fiscal year, the School segregates transactions related to certain School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the School uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The accounting and financial reporting treatment of the School's financial transactions is determined by the School's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities 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 provides information about how the School finances and meets its cash flow needs.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The School's financial statements are prepared using the accrual basis of accounting.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents

The School's Business Manager accounts for all monies received by the School. The School maintains a non-interest bearing depository account and all funds of the School are maintained in this account. This account is presented on the Statement of Net Assets as "Cash and Cash Equivalents". For purposes of the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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 in which services are consumed.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is stated at lower of cost or market on a first-in, first-out basis. Inventories consist of donated and purchased food held for resale, as well as supplies, all of which are expensed when used.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000 for all capital assets other than computers. The capitalization threshold for computers is \$500. 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 reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 20 years
Buildings and Improvements	15 - 50 years
Furniture, Fixtures and Equipment	3 - 20 years
Vehicles	5 - 10 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if employees' 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. The School records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for employees with at least five years of current service for all positions (including certified and non-certified staff).

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 the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs and federal and State grants restricted to expenditures for specified purposes.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. These revenues consist of certain intergovernmental revenues and sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 – CASH DEPOSITS

At June 30, 2011, the carrying amount of all Sciotoville Community Schools deposits was \$880,567 and the bank balance was \$994,719. Based on the criteria described in GASB Statement 40, “*Deposit and Investments Risk Disclosure*,” as of June 30, 2011, none of the bank balance was exposed to custodial risk as discussed below, as the entire bank balance was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Sciotoville Community School will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Sciotoville Community School.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, consist of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 4 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title I Grants to Local Educational Agencies (Title I)	\$106,725
Title I School Improvement Grant	52,271
Improving Teacher Quality Grant (Title II-A)	21,979
Education Technology Grant (Title II-D)	2,842
Safe and Drug Free Schools and Communities Grant (Title IV-A)	312
High Schools That Work Grant	1,500
Race to the Top Grant	45,396
Special Education Grants to States (Part B-IDEA)	89,812
National School Lunch and Breakfast Programs	10,730
Federal Startup Grant	7,098
Education Jobs Grant	184,914
Total Intergovernmental Receivables	\$523,579

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Capital Assets Not Being Depreciated:				
Land	\$378,902	\$0	\$0	\$378,902
Capital Assets Being Depreciated:				
Land Improvements	161,265	0	0	161,265
Buildings and Improvements	2,659,782	0	0	2,659,782
Furniture, Fixtures and Equipment	782,559	139,668	(41,074)	881,153
Vehicles	27,450	0	0	27,450
Total Capital Assets				
Being Depreciated	3,631,056	139,668	(41,074)	3,729,650
Less Accumulated Depreciation:				
Land Improvements	(34,385)	(8,602)	0	(42,987)
Buildings and Improvements	(405,175)	(54,179)	0	(459,354)
Furniture, Fixtures and Equipment	(356,081)	(93,489)	30,435	(419,135)
Vehicles	(16,018)	(2,145)	0	(18,163)
Total Accumulated Depreciation	(811,659)	(158,415)	30,435	(939,639)
Total Capital Assets				
Being Depreciated, Net	2,819,397	(18,747)	(10,639)	2,790,011
Capital Assets, Net	\$3,198,299	(\$18,747)	(\$10,639)	\$3,168,913

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 6 - RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School contracted with Sherman Kricker Insurance Company for general liability and property insurance and Cincinnati Insurance Company for educational errors and omissions insurance.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

Workers' Compensation

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$58,399, \$63,623, and \$41,245, respectively. For fiscal year 2011, 85.64 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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 Street, Columbus, OH 43215-3771, 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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$250,590, \$220,494, and \$227,208, respectively. For fiscal year 2011, 83.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$571 made by the School and \$408 made by the plan members. In addition, member contributions of \$5,710 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

NOTE 8 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For 2011, 1.43 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 2011, this amount was \$35,800. During fiscal year 2011, the School paid \$11,314 in surcharge.

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, 2011, 2010, and 2009 were \$18,385, \$13,604, and \$26,739, respectively. For fiscal year 2011, 85.64 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,758, \$3,784, and \$3,403, respectively. For fiscal year 2011, 85.64 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio

Plan Description – The School participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,276, \$16,961, and \$17,478, respectively. For fiscal year 2011 83.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 9 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation benefits are derived from policies and procedures approved by the Board of Directors. Non-certified employees earn 10 to 20 days of vacation per fiscal year, depending upon their length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment up to a maximum payment of 50 days. Teachers do not earn vacation.

Teachers, administrators, and non-certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for those employees with five years of continuous service and who apply and qualify for retirement under SERS or STRS Ohio.

Insurance Benefits

The School provides dental, prescription, and medical/surgical benefits to most employees through Medical Mutual of Ohio and life insurance through Fort Dearborn. The School also provides vision benefits to most employees through Vision Service Plan.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 9 - EMPLOYEE BENEFITS (continued)

Deferred Compensation

School employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 10 - LEASES - LEASEE DISCLOSURE

The Academy leases land and a gymnasium from the Sciotoville Christian Church under an operating lease. Operating lease payments are reported as operating expenses on the financial statements. Total operating lease payments in fiscal year 2011 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2012.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2011 were as follows:

<u>Long-Term Obligations</u>	<u>Amount Outstanding 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/11</u>	<u>Current Portion</u>
Compensated Absences	\$52,890	\$4,321	\$27,730	\$29,481	\$22,487

NOTE 12 - CONTINGENCIES

Grants

The School received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. 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, 2011.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 12 - CONTINGENCIES (continued)

Litigation

The School is not party to any legal proceedings.

State Funding

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 results of this review could result in State funding being adjusted. The School does not anticipate any adjustments to State funding for fiscal year 2011 as a result of such a review.

NOTE 13 – SUBSEQUENT EVENT

The contract with the Montgomery County Educational Service Center (MCESC), which established the MCESC as the School's Sponsor effective April 24, 2007, was terminated and the School signed a contract with the Thomas B. Fordham Foundation as its Sponsor effective July 1, 2011. The contract will expire on June 30, 2013. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 32,900	\$ 32,900
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	51,263	51,263
National School Lunch Program	2010/2011	10.555	142,240	142,240
Cash Assistance Subtotal			<u>193,503</u>	<u>193,503</u>
Total Child Nutrition Cluster			<u>226,403</u>	<u>226,403</u>
Total U.S. Department of Agriculture			226,403	226,403
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	95,600	87,218
	2011		230,831	273,544
Total Title I Grants to Local Educational Agencies			<u>326,431</u>	<u>360,762</u>
ARRA- Title I Grants to Local Educational Agencies	2010	84.389	5,279	9,320
	2011		70,649	86,511
Total ARRA Title I Grants to Local Educational Agencies			<u>75,928</u>	<u>95,831</u>
Total Title I Cluster			402,359	456,593
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	17,749	16,967
	2011		62,850	73,893
Total Special Education Grants to States			<u>80,599</u>	<u>90,860</u>
ARRA - Special Education - Grants to States	2010	84.391	28,626	5,704
	2011		33,782	65,780
Total ARRA - Special Education - Grants to States			<u>62,408</u>	<u>71,484</u>
Total Special Education Cluster			143,007	162,344
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	555	823
	2011		96	1,851
Total Safe and Drug-Free Schools and Communities - State Grants			<u>651</u>	<u>2,674</u>
Charter Schools	2010	84.282	95,556	43,874
	2011		142,902	153,122
Total Charter Schools			<u>238,458</u>	<u>196,996</u>
Education Technology State Grants	2010	84.318	1,073	70
	2011		115	439
Total Education Technology State Grants			<u>1,188</u>	<u>509</u>
Improving Teacher Quality State Grants	2010	84.367	4,657	2,449
	2011		3,001	13,072
Total Improving Teacher Quality State Grants			<u>7,658</u>	<u>15,521</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	2011	84.394	260,249	281,727
ARRA - Race to the Top Assessment (RTTA)	2011	84.395	11,146	26,054
Total U.S. Department of Education			<u>1,064,716</u>	<u>1,142,418</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$ 1,291,119</u></u>	<u><u>\$ 1,368,821</u></u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The School reports commodities consumed on the Schedule at the fair value (i.e. total amount received in commodities less the amount paid for commodities). The School allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the basic financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 8, 2012.

We intend this report solely for the information and use of management, the Board of Directors, the School's Sponsor, and federal awarding agencies and pass-through entities and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 8, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

Compliance

We have audited the compliance of the Sciotoville Community School, Scioto County, Ohio (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with these requirements.

As described in Findings 2011-01 through 2011-03 in the accompanying Schedule of Findings and Questioned Costs, the School did not comply with requirements regarding Activities Allowed or Unallowed, Cash Management, and Special Tests and Provisions applicable to its State Fiscal Stabilization Fund – Education State Grants major federal program. Additionally, as described in Finding 2011-03 in the accompanying Schedule of Findings and Questioned Costs, the School did not comply with requirements regarding Special Tests and Provisions applicable to its Title I, Part A Cluster. Compliance with these requirements is necessary, in our opinion, for the School to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly we have not opined on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 through 2011-03 to be material weaknesses.

The School's responses to the findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Directors, the School's Sponsor, others within the School, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 8, 2012

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Title I, Part A Cluster – CFDA #84.010 & #84.389 Qualified – ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants – CFDA #84.394
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster – CFDA #84.010 & #84.389 ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2011-01
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed

OBM Circular A-87 (codified in 2 C.F.R. Part 225) (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. The SFSF program supports a broad array of activities (e.g., general expenditures, operating expenses, salaries, and government services). Similar to Impact Aid funds, SFSF funds are essentially general aid. Thus, the specific cost principles in the OMB Circulars do not apply to SFSF funds. However, SFSF funds must be spent consistent with applicable State and local requirements and the statutory provisions of ARRA. Regardless, while the specific requirements in OMB cost principles, such as OMB Circulars A-21 and A-87, do not apply to SFSF funds, expenditures attributed to the SFSF program must still be “reasonable and necessary, and consistent with applicable State requirements.”

Section 14003(b) of the American Recovery and Reinvestment Act of 2009 prohibits local education agencies from charging the following costs to the SFSF program:

- (1) payment of maintenance costs;
- (2) stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
- (3) purchase or upgrade of vehicles; or
- (4) improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities.

Additionally, Ohio Revised Code Section 3313.24 states, in part, that the board of education of each local, exempted village or city school district shall fix the compensation of its treasurer which shall be paid from the general fund of the district. Ohio Revised Code Section 3313.29 states, in part, that the treasurer of each board of education shall keep an account of all school funds of the district and Ohio Revised Code Section 3313.31 states, in part, that the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

ODE Policy Guidance regarding *School District Treasurer Supplemental Contracts for Managing School Funds* indicates that ODE considers all chief financial officers of educational entities, including but not limited to, non-profit corporations, colleges and universities to be similarly situated to treasurers of school districts. Additionally, as community schools discharge functions in a similar manner as school districts and community schools are considered local education agencies, as defined in 34 C.F.R. Parts 76 and 77, chief financial officers of community schools are treated as if they were treasurers of a traditional public school district.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-01 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed (Continued)

Taking these sections together, a presumption of supplanting exists in situations where a school district directly charges a portion of the treasurer’s compensation to a Federal grant. All compensation for managing Federal and state grant funds must be included with the treasurer’s contract with the board of education under authority of Ohio Revised Code Section 3313.22, payable from the General Fund.

The Community School and Elementary Academy charged salaries and benefits of the Treasurer and Custodians totaling \$32,088 to the grant. The salaries and benefits of these positions are not allowable and are considered questioned costs.

We recommend the Community School and Elementary Academy review the federal guidance associated with allowable costs and ensure all monies spent for the SFSF Program are within those parameters. We further recommend the Community School and Elementary Academy consult with the Ohio Department of Education to determine a remedy for the costs questioned.

Officials’ Response:

The costs associated were for payroll and insurance costs that were overlooked. We will contact the Ohio Department of Education to discuss actions needed and the possibility to replace those costs with qualifying costs. In addition, we will strive to review and follow federal guidelines in regards to federal grant allocations.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-02
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-Compliance Citation and Material Weakness – Cash Management

34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

An ODE Policy and Guidance Memo, SFSF Final Payments and Cash Management, indicated the funding method for SFSF differs from other ARRA funds; however, cash management rules apply to the SFSF funds. Districts must expend the funds that are included in the foundation payments for the SFSF program in accordance with federal regulations.

State Fiscal Stabilization Fund program funds were advanced to Community School's through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to Community School's on a monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds are required to be deposited into USAS Fund 532. Community School's must have an internal control system in place to ensure advance SFSF payments are spent timely (i.e., within 30 days or by the end of the month).

The Community School and Elementary Academy did not ensure that SFSF monies were spent in a timely manner (i.e. within 30 days of receipt). The Community School and Elementary Academy utilized the SFSF funds for payroll but did not begin disbursing funds until March 2011 with payments on March 17, 2011 and March 31, 2011, respectively.

As a result, the Community School and Elementary Academy allowed funds to accrue to a combined balance of \$273,073 in the 532 fund on March 17, 2011 before beginning to disburse the funds. This amount is computed as follows:

Fund	Grant Year	School	March 17, 2011 Balance Before Disbursing
532-932N	2010	Sciotoville Community School	\$47,634
532-932O	2011	Sciotoville Community School	117,266
532-932N	2010	Sciotoville Elementary Academy	52,073
532-932O	2011	Sciotoville Elementary Academy	56,100
TOTAL:			\$273,073

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-02 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-Compliance Citation and Material Weakness – Cash Management (Continued)

As a result, using the 1% U.S. Treasury Current Value of Funds rate in effect during fiscal years 2010 and 2011, we estimate the imputed interest on accumulated SFSF funds was roughly \$2,730.

At year end the Community School and Elementary Academy had a combined ending balance in the 532 fund of \$78,227 computed as follows:

Fund	Grant Year	School	June 30, 2011 Balance
532-932N	2010	Sciotoville Community School	\$47,634
532-9320	2011	Sciotoville Community School	14,403
532-932O	2011	Sciotoville Community School	(41,690)
532-932N	2010	Sciotoville Elementary Academy	52,073
532-932O	2011	Sciotoville Elementary Academy	5,807
TOTAL:			\$78,227

The Community School and Elementary Academy were not able to spend the monies within 30 days of receipt of their funding.

In addition, the Community School Treasurer created two separate funds, Fund 532-9320 (with a zero) and Fund 532-932O (with a letter) for tracking of the SFSF funds for FY 2011. Fund 532-932O was the fund instructed to be established by the Ohio Department of Education. As a result of creating two separate funds, the June 2011 SFSF receipt of \$14,403.30 was posted to Fund 532-9320 (with a zero).

We recommend the Community School and Elementary Academy utilize Ohio Department of Education's guidance on cash management for federal programs to liquidate their monies as quickly as possible to meet A-133 requirements. We further recommend the Community School and Elementary Academy Treasurer monitor federal funds closely to ensure the cash management and separate accountability compliance guidelines are met in the future.

Officials' Response:

Funds were held for payroll purposes and accrued until disbursement. In the future, we will be more sensitive to the timely disbursement of monies as required by federal guidelines.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-03
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394; Title I, Part A Cluster – CFDA # 84.010 & # 84.389
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-Compliance Citation and Material Weakness – Special Tests & Provisions – ARRA Separate Accountability

2 C.F.R. Section 176.210, requires recipients to maintain records that adequately identify the source and application of ARRA awards; separately identify to each subrecipient; and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards and Data Collection Form and require their subrecipients to provide similar identification in their Schedule of Expenditures of Federal Awards and Data Collection Form.

Ohio Department of Education required subrecipients to report Title I ARRA funds separately for Fiscal Year 2010 and 2011 in Fund 572 with Special Cost Center 932N and 932O, respectively. During our Title I testing, the Treasurer improperly posted Fiscal Year 2011 Title I ARRA receipts for the Elementary Academy totaling \$21,001.71 to Fund 572-9011 instead of 572-932O. However, the Treasurer properly posted Title ARRA disbursements for Fiscal Year 2011 to Fund 572-932O; causing Fund 572-932O to operate in the negative the entire Fiscal Year. The cash balance on hand reported to Ohio Department of Education at the time of the cash requests for both ARRA and regular Title I did not agree to the Elementary Academy's records. This could lead to inefficiencies in cash management and difficulties in properly reporting amounts to the Ohio Department of Education.

In addition, the Community School Treasurer created two separate funds, Fund 572-9320 (with a zero) and Fund 572-932O (with a letter) for tracking of the Title I ARRA funds for FY 2011. Fund 572-932O was the fund instructed to be established by the Ohio Department of Education. As a result of creating two separate funds, the November 2010 Title I ARRA receipt for the Community School of \$10,166.34 was posted to Fund 572-9320 (with a zero) instead of Fund 572-932O (with a letter).

Also, for State Fiscal Stabilization Funds (SFSF), the Community School Treasurer created two separate funds, Fund 532-9320 (with a zero) and Fund 532-932O (with a letter) for tracking of the SFSF funds for FY 2011. Fund 532-932O was the fund instructed to be established by the Ohio Department of Education. As a result of creating two separate funds, the June 2011 SFSF receipt of \$14,403.30 was posted to Fund 532-9320 (with a zero).

This could result in difficulty and errors in properly reporting federal grant activity to the Ohio Department of Education.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-03 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394; Title I, Part A Cluster – CFDA # 84.010 & # 84.389
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-Compliance Citation and Material Weakness – Special Tests & Provisions – ARRA Separate Accountability (Continued)

We recommend the Community School and Elementary Academy Treasurer utilize available authoritative resources to appropriately classify receipt transactions. In addition, we recommend the Community School and Elementary Academy Treasurer be more diligent in reporting to the Ohio Department of Education. We further recommend the Community School and Elementary Treasurer monitor federal funds closely to ensure the separate accountability compliance guidelines are met in the future.

Officials' Response:

In the future, we will be more diligent in ensuring that the proper fund is being credited when posting receipts.

SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(B)
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Noncompliance citation and significant deficiency regarding annual federal single audit for the year ended June 30, 2010 being performed but not submitted to the Single Audit Clearinghouse before the deadline of March 31, 2011.	No	Finding No Longer Valid

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	The costs associated were for payroll and insurance costs that were overlooked. We will contact the Ohio Department of Education to discuss actions needed and the possibility to replace those costs with qualifying costs. In addition, we will strive to review and follow federal guidelines in regards to federal grant allocations.	FY 2012	Kelli Hunter, Treasurer
2011-02	Funds were held for payroll purposes and accrued until disbursement. In the future, we will be more sensitive to the timely disbursement of monies as required by federal guidelines.	FY 2012	Kelli Hunter, Treasurer
2011-03	In the future, we will be more diligent in ensuring that the proper fund is being credited when posting receipts.	FY 2012	Kelli Hunter, Treasurer

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying by September 28, 2010. A revised anti-bullying policy was approved November 14, 2011 which included dating violence language.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2012

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Dave Yost • Auditor of State

SCIOTOVILLE COMMUNITY SCHOOL

SCIOTO 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
MARCH 08, 2012