



Dave Yost • Auditor of State

SCIOTOVILLE ELEMENTARY ACADEMY
SCIOTO COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Sciotoville Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the accompanying basic financial statements of the Sciotoville Elementary Academy, Scioto County, Ohio (the Academy), a component unit of the Sciotoville Community School, Scioto County, Ohio, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy'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 Elementary Academy, Scioto County, Ohio, as of June 30, 2012, 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 March 15, 2013, on our consideration of the Academy'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.

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

Dave Yost
Auditor of State

March 15, 2013

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Sciotoville Elementary Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

- Net assets decreased \$144,879, which was primarily due to decreases in State Foundation monies along with a decrease in federal and state grants received.
- Total assets decreased \$135,300. The most significant decrease was in Cash and Cash Equivalents which decreased primarily due to decreases in State Foundation monies and Federal and State grants received. Capital Assets decreased due to current year depreciation exceeding asset additions.
- Total liabilities increased \$9,579 due to an adjustment made by the Ohio Department of Education during a review of enrollment data. This adjustment is reflected as a liability on the School's financial statements.

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 2012?" 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 ELEMENTARY ACADEMY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Table 1 provides a summary of the Academy's net assets for fiscal year 2012 and fiscal year 2011:

(Table 1)
Net Assets

	2012	2011	Increase (Decrease)
Assets:			
Current Assets	\$640,862	\$728,250	(\$87,388)
Depreciable Capital Assets, Net	393,243	441,155	(47,912)
<i>Total Assets</i>	<u>1,034,105</u>	<u>1,169,405</u>	<u>(135,300)</u>
Liabilities:			
Current Liabilities	119,932	110,353	9,579
<i>Total Liabilities</i>	<u>119,932</u>	<u>110,353</u>	<u>9,579</u>
Net Assets:			
Invested in Capital Assets	393,243	441,155	(47,912)
Restricted for Other Purposes	308,086	251,752	56,334
Unrestricted	212,844	366,145	(153,301)
<i>Total Net Assets</i>	<u>\$914,173</u>	<u>\$1,059,052</u>	<u>(\$144,879)</u>

Total assets decreased \$135,300. Current Assets decreased primarily due to a decrease in Cash and Cash Equivalents. This was the result of a decrease in State Foundation monies and federal and state grants received.

Depreciable Capital Assets, Net decreased \$47,912 mainly due to current year depreciation exceeding asset additions.

Total Liabilities increased \$9,579 due to an adjustment made by the Ohio Department of Education during a review of enrollment data. This adjustment is reflected as a liability on the School's financial statements.

Total Net Assets decreased \$144,879 primarily due to a decrease in State Foundation monies received along with a decrease in federal and state grants received.

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 and fiscal year 2011, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2012	2011	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$932,646	\$1,006,349	(\$73,703)
Other Revenues	5,488	5,231	257
Non-Operating Revenues:			
Other Federal and State Grants	167,168	462,926	(295,758)
Other	225	561	(336)
<i>Total Revenues</i>	<u>1,105,527</u>	<u>1,475,067</u>	<u>(369,540)</u>
Operating Expenses:			
Salaries	748,353	714,303	34,050
Fringe Benefits	244,786	203,190	41,596
Purchased Services	104,004	136,095	(32,091)
Materials and Supplies	33,251	125,196	(91,945)
Depreciation	49,031	41,575	7,456
Other Expenses	70,981	61,804	9,177
<i>Total Expenses</i>	<u>1,250,406</u>	<u>1,282,163</u>	<u>(31,757)</u>
Change in Net Assets	(144,879)	192,904	(337,783)
<i>Net Assets at Beginning of Year</i>	<u>1,059,052</u>	<u>866,148</u>	<u>192,904</u>
<i>Net Assets at End of Year</i>	<u>\$914,173</u>	<u>\$1,059,052</u>	<u>(\$144,879)</u>

Net Assets decreased \$144,879 from fiscal year 2011 to fiscal year 2012. This decrease was mainly due to a decrease in State Foundation monies received and a decrease in Federal and State grants received. Total Expenses decreased \$31,757 during fiscal year 2012 due mainly to the decrease in materials and supplies expense as a result of the Academy monitoring expenditures.

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Capital Assets

At the end of fiscal year 2012, the School had \$393,243 invested in land improvements, buildings and improvements, and furniture, fixtures and equipment, which represented a decrease of \$47,912 compared to fiscal year 2011. The decrease was a result of current year depreciation exceeding asset additions.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Kelli Hunter, Treasurer at Sciotoville Elementary Academy, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at kelli.hunter@east.k12.oh.us.

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Net Assets

June 30, 2012

Assets:

Current Assets:

Cash and Cash Equivalents	\$456,631
Accounts Receivable	2,906
Intergovernmental Receivables	178,980
Prepaid Items	2,345
<i>Total Current Assets</i>	<u>640,862</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>393,243</u>
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<i>Total Assets</i>	<u>1,034,105</u>
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Liabilities:

Current Liabilities:

Accounts Payable	1,614
Accrued Wages and Benefits Payable	86,305
Intergovernmental Payable	30,199
Compensated Absences Payable	1,469
Undistributed Monies	345
<i>Total Liabilities</i>	<u>119,932</u>

Net Assets:

Invested in Capital Assets	393,243
Restricted for Other Purposes	308,086
Unrestricted	212,844
<i>Total Net Assets</i>	<u>\$914,173</u>

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

Operating Revenues:	
Foundation Payments	\$932,646
Other Revenues	5,488
	<hr/>
<i>Total Operating Revenues</i>	<u>938,134</u>
Operating Expenses:	
Salaries	748,353
Fringe Benefits	244,786
Purchased Services	104,004
Materials and Supplies	33,251
Depreciation	49,031
Other Expenses	70,981
	<hr/>
<i>Total Operating Expenses</i>	<u>1,250,406</u>
<i>Operating Loss</i>	<u>(312,272)</u>
Non-Operating Revenues:	
Other Federal and State Grants	167,168
Other	225
	<hr/>
<i>Total Non-Operating Revenues</i>	<u>167,393</u>
<i>Change in Net Assets</i>	(144,879)
<i>Net Assets at Beginning of Year</i>	<u>1,059,052</u>
<i>Net Assets at End of Year</i>	<u><u>\$914,173</u></u>

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Others	\$3,315
Cash Received from Foundation Payments	932,646
Cash Payments to Suppliers for Goods and Services	(143,663)
Cash Payments to Employees for Services	(746,032)
Cash Payments for Employee Benefits	(242,226)
Cash Payments to Others	<u>(60,992)</u>

Net Cash Used for Operating Activities (256,952)

Cash Flows from Noncapital Financing Activities:

Other Non-Operating Revenues	225
Other Federal and State Grants Received	<u>178,742</u>

Net Cash Provided by Noncapital Financing Activities 178,967

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(1,119)</u>
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Net Decrease in Cash and Cash Equivalents (79,104)

Cash and Cash Equivalents at Beginning of Year 535,735

Cash and Cash Equivalents at End of Year \$456,631

(continued)

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$312,272)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 49,031

Changes in Assets and Liabilities:

Increase in Accounts Receivable (2,906)

Increase in Prepaid Items (989)

Decrease in Materials and Supplies Inventory 605

Decrease in Accounts Payable (6,024)

Increase in Accrued Wages and Benefits Payable 3,051

Increase in Intergovernmental Payable 11,059

Increase in Compensated Absences Payable 1,148

Increase in Undistributed Monies 345

Total Adjustments 55,320

Net Cash Used for Operating Activities (\$256,952)

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Sciotoville Elementary Academy of Sciotoville, Inc. (the “Academy”) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades Pre-K through sixth. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Sciotoville Elementary Academy qualifies as an 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 Academy’s tax exempt status. Due to the Board of Directors of the Sciotoville Community School serving as the Board of Directors of the Academy, the Academy is considered a component unit of the Sciotoville Community School and is included as a blended component unit in its general purpose external financial statements.

On May 1, 2011, the Thomas B. Fordham Institute signed a contract with the School to be the School’s Sponsor effective July 1, 2011. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy 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 Academy’s two instructional/support facilities staffed by five non-certified and 12 certificated full-time teaching personnel who provide services to 122 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy 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 Academy 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 Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Academy’s accounting policies are described below.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis Of Presentation

The Academy'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 Academy segregates transactions related to certain Academy 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 Academy 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 Academy's financial transactions is determined by the Academy'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 Academy 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 Academy'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.

Non-exchange transactions, in which the Academy 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents

The Academy's Business Manager accounts for all monies received by the Academy. The Academy maintains a depository account for all funds of the Academy. 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 Academy are considered to be cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

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 Academy maintains a capitalization threshold of \$1,000 for all capital assets other than computers. The capitalization threshold for computers is \$500. The Academy 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.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All reported capital assets 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	20 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	3 - 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 Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 Academy 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 Academy's termination policy. The Academy 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). Since the Academy has not been in operation for five years, there is no sick leave benefits liability.

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 Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent federal and State grants restricted to expenditures for specified purposes.

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

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

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

Intergovernmental Revenues

The Academy 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 Academy are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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, 2012, the carrying amount of all Sciotoville Elementary Academy deposits was \$456,631 and the bank balance was \$484,245. Based on the criteria described in GASB Statement 40, "*Deposit and Investments Risk Disclosure*," as of June 30, 2012, 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 Elementary Academy 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 Elementary Academy.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, consist of accounts and 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.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I Grants to Local Educational Agencies (Title I)	\$45,020
ARRA - Title I Grants to Local Educational Agencies (Title I)	24,625
Improving Teacher Quality Grant (Title II-A)	3,065
Education Technology Grant (Title II-D)	1,855
Education Jobs Grant	61,328
Race to the Top Grant	21,276
Special Education Grants to States (Part B-IDEA)	21,811
Total Intergovernmental Receivables	<u><u>\$178,980</u></u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/12</u>
Capital Assets Being Depreciated:				
Land Improvements	\$4,272	\$0	\$0	\$4,272
Buildings and Improvements	208,238	0	0	208,238
Furniture, Fixtures and Equipment	306,858	1,119	0	307,977
Total Capital Assets				
Being Depreciated	<u>519,368</u>	<u>1,119</u>	<u>0</u>	<u>520,487</u>
Less Accumulated Depreciation:				
Land Improvements	(497)	(214)	0	(711)
Buildings and Improvements	(11,786)	(4,165)	0	(15,951)
Furniture, Fixtures and Equipment	(65,930)	(44,652)	0	(110,582)
Total Accumulated Depreciation	<u>(78,213)</u>	<u>(49,031)</u>	<u>0</u>	<u>(127,244)</u>
Capital Assets, Net	<u><u>\$441,155</u></u>	<u><u>(\$47,912)</u></u>	<u><u>\$0</u></u>	<u><u>\$393,243</u></u>

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 6 - RISK MANAGEMENT

Property and Liability

The Academy 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 2012, the Academy contracted with Cincinnati Insurance Company for general liability, property insurance, and educational errors and omissions insurance through its broker Sherman Kricker Insurance Company.

This has been the fourth year of coverage provided to the Academy. Settled claims have not exceeded the commercial coverage in the last three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

Workers' Compensation

The Academy 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 Academy 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 Academy 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,268, \$13,168, and \$13,634, respectively. For fiscal year 2012, 95.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

Plan Description – The Academy 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, 2012, plan members were required to contribute 10 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$70,569, \$59,878, and \$67,603, respectively. For fiscal year 2012, 82.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$11 made by the Academy and \$8 made by the plan members.

NOTE 8 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The Academy 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, Medicare Advantage, 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 fiscal year 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the Academy paid \$2,141 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 Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,846, \$4,812, and \$3,709, respectively. For fiscal year 2012, 95.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$961, \$847, and \$811, respectively. For fiscal year 2012, 95.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System of Ohio

Plan Description – The Academy 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 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,428, \$4,606, and \$5,200, respectively. For fiscal year 2012, 82.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 9 - EMPLOYEE BENEFITS (continued)

Insurance Benefits

The Academy provides life, prescription, dental, vision, and medical/surgical benefits to most employees through Medical Mutual of Ohio.

Deferred Compensation

Academy 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 2012 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2013.

NOTE 11 - CONTINGENCIES

Grants

The Academy 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

Litigation

The Academy is not party to any legal proceedings.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 11 - CONTINGENCIES (continued)

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 for fiscal year 2012 resulted in an adjustment in the amount of \$10,377 that will be repaid in fiscal year 2013. This is reflected as a liability on the Academy's financial statements.

NOTE 12 - SUBSEQUENT EVENT

On May 14, 2012, the Sciotoville Elementary Academy approved a promissory note agreement with Sciotoville Community School whereby the Community School promised to pay to the order of the Sciotoville Elementary Academy the sum of \$30,000. However, Sciotoville Elementary Academy did not make the expenditure of \$30,000 to the Sciotoville Community School until August 28, 2012.



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 Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the basic financial statements of the Sciotoville Elementary Academy, Scioto County, Ohio (the Academy), a component unit of the Sciotoville Community School, Scioto County, Ohio, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 15, 2013. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy'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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider Finding 2012-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 15, 2013.

The Academy's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 15, 2013

**SCIOTOVILLE ELEMENTARY ACADEMY
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 121.22 requires all meetings of any public body (including community schools) are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

The official minutes of the Sciotoville Elementary Academy were not made available for inspection by audit for the period of March 2012 through June 30, 2012, as of November 15, 2012. As a result, we feel these were not being promptly recorded and made available for public inspection. Instead, the minutes for this period were maintained on the computer of the Treasurer with no official sign off of the Treasurer or Board President. In addition to this, it was the Board of Director's regular procedure to approve the prior month's minutes during the current month's meeting. However, it was noted that the minutes were not actually being presented at the meetings in which this approval was being done. Without some type of review of the minute record by the Board of Directors, there is no way to determine that the official final record is accurate and complete. Review of minute approvals, as indicated by the Board President's signature, demonstrate that 41.7% of the minute records for fiscal year 2012 were not signed as of November 15, 2012.

As no official minute record existed for March through June 2012, as of November 15, 2012, no official record of Board of Director's approval of financial information, including budget vs. actual information and bank reconciliations, are noted for that period as well. This results in an inability to determine if proper monitoring occurred.

In addition to the items noted above, we noted a few references in the minute record to various appendices. However, these appendices were not included in the minute record. Without the appendices being included in the minute record, there is no way to identify what the Board of Directors was truly approving.

We recommend minute records of the Board of Directors be prepared and presented to the Board of Directors at the following meeting for official approval. The minute records that are being approved by the Board of Directors should then be signed by both the Treasurer, who has prepared them, and the Board President. Further, the minute records should include all necessary information, including any type of appendices that are being approved and referenced thereto.

Officials' Response:

As noted in the finding, minute records did not make it to the official book. They had been typed and were on our computers however they did not get printed in the minute book. The Board was being presented the CHECKPY and RECLED reports which documented the receipts and expenditures for each month in the Treasurer's Report. Also, noted appendices are kept with the Board packet and not in the minute record. If a request was made for an appendix it was retrieved from the minute packet and copied.

After discussion with a representative of the Auditor' Office, appendices will now be incorporated into the official minute record instead of the minute support packet. Also our office will strive to get the minutes into the Board book in a more timely fashion.

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SCIOTOVILLE ELEMENTARY ACADEMY

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 28, 2013