



Dave Yost • Auditor of State

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

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, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2015

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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

- For fiscal year 2014, the School is participating in the 21st Century after school program administered by Shawnee State University.
- Net position increased \$17,360 which was due to current year revenues exceeding current year expenses.
- Total Assets decreased \$92,358. Current Assets increased primarily due to an increase in Accounts Receivable with an increase in Cash and Cash Equivalents being offset by a decrease in Intergovernmental Receivables. Depreciable Capital Assets, Net decreased due to current year depreciation expense.
- Total Liabilities decreased \$109,718 which was primarily due to a decrease in Accrued Wages and Benefits Payable.
- Total Revenues increased \$479,045, while total expenses increased \$4,003. The School received an increase in foundation payments while maintaining expenditure constant with the prior fiscal year.

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during fiscal year 2014?" 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
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

Table 1 provides a summary of the School's net position for fiscal year 2014 and fiscal year 2013:

(Table 1)
Net Position

	2014	2013	Increase (Decrease)
Assets:			
Current Assets	\$1,020,453	\$990,485	\$29,968
Land	378,902	378,902	0
Depreciable Capital Assets, Net	2,380,640	2,502,966	(122,326)
<i>Total Assets</i>	<u>3,779,995</u>	<u>3,872,353</u>	<u>(92,358)</u>
Liabilities:			
Current Liabilities	551,021	653,159	(102,138)
Non-Current Liabilities	36,305	43,885	(7,580)
<i>Total Liabilities</i>	<u>587,326</u>	<u>697,044</u>	<u>(109,718)</u>
Net Position:			
Invested in Capital Assets	2,759,542	2,881,868	(122,326)
Restricted for Other Purposes	168,718	500,199	(331,481)
Unrestricted	264,409	(206,758)	471,167
<i>Total Net Position</i>	<u>\$3,192,669</u>	<u>\$3,175,309</u>	<u>\$17,360</u>

Total assets decreased \$92,358, which was primarily due to current year depreciation exceeding capital asset additions.

Total liabilities decreased \$109,718. This was due to a decrease in accrued wages and benefits payable that resulted from benefits being paid current during fiscal year 2014.

Invested in Capital Assets decreased due to current year depreciation exceeding current year additions.

Net Position Restricted for Other Purposes decreased due to grants receivable. In fiscal year 2013, the School had a large receivable for the Title I grant and during fiscal year 2014, the School received and spent the grant revenue.

Unrestricted Net Position increased \$471,167 due to an increase in State funding through foundation payments which was the direct result of new funding formula.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

Table 2 shows the changes in net position for fiscal year 2014 and fiscal year 2013, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Position

	2014	2013	Increase (Decrease)
Operating Revenues:			
Extracurricular and Lunchroom Sales	\$91,374	\$60,319	\$31,055
Foundation Payments	3,509,965	3,186,537	323,428
Charges for Sales and Services	3,430	4,083	(653)
Other Revenues	85,336	81,393	3,943
Non-Operating Revenues:			
Federal Donated Commodities	23,067	23,712	(645)
Federal and State Meal Subsidies	186,482	190,623	(4,141)
Other Federal and State Grants	469,565	478,792	(9,227)
Other Grants	86,532	0	86,532
Other	68,426	19,673	48,753
<i>Total Revenues</i>	<u>4,524,177</u>	<u>4,045,132</u>	<u>479,045</u>
Operating Expenses:			
Salaries	2,237,818	2,441,199	(203,381)
Fringe Benefits	1,122,481	1,038,397	84,084
Purchased Services	539,891	424,063	115,828
Materials and Supplies	245,785	218,550	27,235
Cost of Sales	92,450	98,523	(6,073)
Depreciation	140,064	149,796	(9,732)
Other Expenses	128,328	132,286	(3,958)
<i>Total Expenses</i>	<u>4,506,817</u>	<u>4,502,814</u>	<u>4,003</u>
Change in Net Position	17,360	(457,682)	475,042
<i>Net Position at Beginning of Year</i>	<u>3,175,309</u>	<u>3,632,991</u>	<u>(457,682)</u>
<i>Net Position at End of Year</i>	<u><u>\$3,192,669</u></u>	<u><u>\$3,175,309</u></u>	<u><u>\$17,360</u></u>

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

There was an increase in total revenues of \$479,045, primarily due to State Foundation Payments and other grants. The State funding implemented a new funding formula and a new after school program was administered by Shawnee State University in fiscal year 2014. Overall, there was a minimal increase in total expenses of \$4,003.

Capital Assets

At the end of fiscal year 2014, the School had \$2,759,542 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represent a decrease of \$122,326 from fiscal year 2013. 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.

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 Andrew T. Riehl, Treasurer by calling (740) 354-0234, writing to the Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at ariehl@scoesc.org.

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Net Position

June 30, 2014

Assets:

Current Assets:

Cash and Cash Equivalents	\$706,834
Accounts Receivable	44,098
Intergovernmental Receivables	252,768
Inventory Held for Resale	14,287
Materials and Supplies Inventory	714
Prepaid Items	<u>1,752</u>
Total Current Assets	<u>1,020,453</u>

Non-Current Assets:

Capital Assets:	
Land	378,902
Depreciable Capital Assets, Net	<u>2,380,640</u>
Total Non-Current Assets	<u>2,759,542</u>

Total Assets 3,779,995

Liabilities:

Current Liabilities:

Accounts Payable	50,743
Accrued Wages and Benefits Payable	381,396
Intergovernmental Payable	86,041
Matured Compensated Absences Payable	9,361
Compensated Absences Payable	9,538
Undistributed Monies	<u>13,942</u>
Total Current Liabilities	<u>551,021</u>

Non-Current Liabilities:

Compensated Absences Payable	<u>36,305</u>
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Total Liabilities 587,326

Net Assets:

Invested in Capital Assets	2,759,542
Restricted for Other Purposes	168,718
Unrestricted	<u>264,409</u>

Total Net Position \$3,192,669

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues:

Extracurricular and Lunchroom Sales	\$91,374
Foundation Payments	3,509,965
Charges for Sales and Services	3,430
Other Revenues	<u>85,336</u>

Total Operating Revenues 3,690,105

Operating Expenses:

Salaries	2,237,818
Fringe Benefits	1,122,481
Purchased Services	539,891
Materials and Supplies	245,785
Cost of Sales	92,450
Depreciation	140,064
Other Expenses	<u>128,328</u>

Total Operating Expenses 4,506,817

Operating Loss (816,712)

Non-Operating Revenues/Expenses:

Federal Donated Commodities	23,067
Federal and State Meal Subsidies	186,482
Other Federal and State Grants	469,565
Other Grants	86,532
Other	<u>68,426</u>

Total Non-Operating Revenues 834,072

Change in Net Position 17,360

Net Position at Beginning of Year 3,175,309

Net Position at End of Year \$3,192,669

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$94,804
Cash Received from Others	85,336
Cash Received from Foundation Payments	3,509,965
Cash Payments to Suppliers for Goods and Services	(938,486)
Cash Payments to Employees for Services	(2,318,198)
Cash Payments for Employee Benefits	(1,165,556)
Cash Payments to Others	<u>(37,552)</u>

Net Cash Used for Operating Activities (769,687)

Cash Flows from Noncapital Financing Activities:

Other Non-Operating Revenues	12,360
Federal and State Subsidies Received	186,482
Other Federal and State Grants Received	636,431
Other Grants Received	<u>86,352</u>

Net Cash Provided by Noncapital Financing Activities 921,625

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(17,738)</u>
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Net Increase in Cash and Cash Equivalents 134,200

Cash and Cash Equivalents at Beginning of Year 572,634

Cash and Cash Equivalents at End of Year \$706,834

(continued)

SCIOTOVILLE COMMUNITY SCHOOL
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:
Operating Loss (\$816,712)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:
Depreciation 140,064
Donated Commodities Received During the Year 23,067

Changes in Assets and Liabilities:

Decrease in Accounts Receivable 6,792
Increase in Prepaid Items (1,477)
Increase in Inventory Held for Resale (5,428)
Decrease in Materials and Supplies Inventory 8,275
Increase in Accounts Payable 12,657
Decrease in Accrued Wages and Benefits Payable (129,163)
Decrease in Intergovernmental Payable (9,521)
Increase in Compensated Absences Payable 1,203
Increase in Undistributed Monies 556

Total Adjustments 47,025

Net Cash Used for Operating Activities (\$769,687)

Non-Cash Transactions:

During fiscal year 2014, the School received \$23,067 in donated commodities.

See accompanying notes to the basic financial statements

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 7 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 May 1, 2011, the Thomas B. Fordham Institute signed a contract with the School to be the School's Sponsor effective July 1, 2011. On May 30, 2013, the Board of Directors approved a two year renewal agreement for the period of July 1, 2013 through June 30, 2015. 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 three support facilities staffed by 26 classified and 43 certified full-time teaching personnel who provide services to 461 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 budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School. 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.

Separate financial statements for the Sciotoville Elementary Academy may be obtained by contacting Andrew T. Riehl, Treasurer by calling (740) 354-0234, writing to the Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at ariehl@scoesc.org.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sciotoville Community School have been prepared in conformity with generally accepted account principles (GAAP) as applied to governmental nonprofit units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis Of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, 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 position, 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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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.

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.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 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 Position as "Cash and Cash Equivalents". For purposes of the Statement of Net Position, 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, 2014, 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.

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:

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<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.

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 Position

Net Position represents the difference between total assets and total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is 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 Position restricted for other purposes include food service 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 position 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.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. CASH DEPOSITS

At June 30, 2014, the carrying amount of all Sciotoville Community Schools deposits was \$706,834 and the bank balance was \$717,933. Based on the criteria described in GASB Statement 40, "Deposit and Investments Risk Disclosure," as of June 30, 2014, none of the bank balance was exposed to custodial risk as discussed below, as the entire bank balance was covered by the Federal Deposit Insurance Corporation or was collateralized.

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.

4. RECEIVABLES

Receivables at June 30, 2014, 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:

	Amounts
Title I Grants to Local Educational Agencies (Title I)	\$88,192
Improving Teacher Quality Grant (Title II-A)	11,460
Race to the Top Grant	45,140
Special Education Grants to States (Part B-IDEA)	90,005
High Schools That Work Grant	3,284
Reimbursement of School Employees Retirement System Expenses	14,687
Total Intergovernmental Receivables	\$252,768

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
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	898,584	17,738	0	916,322
Vehicles	30,950	0	0	30,950
Total Capital Assets				
Being Depreciated	3,750,581	17,738	0	3,768,319
Less Accumulated Depreciation:				
Land Improvements	(60,191)	(8,602)	0	(68,793)
Buildings and Improvements	(567,714)	(54,180)	0	(621,894)
Furniture, Fixtures and Equipment	(598,132)	(75,637)	0	(673,769)
Vehicles	(21,578)	(1,645)	0	(23,223)
Total Accumulated Depreciation	(1,247,615)	(140,064)	0	(1,387,679)
Total Capital Assets				
Being Depreciated, Net	2,502,966	(122,326)	0	2,380,640
Total Capital Assets, Net	\$2,881,868	(\$122,326)	\$0	\$2,759,542

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 2014, the School contracted with Cincinnati Insurance Company for general liability, property insurance, and educational errors and omissions insurance through its broker Sherman Krickler Insurance Company.

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.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The Community 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 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2014, 2013, and 2012 were \$61,632, \$70,337, and \$60,785, respectively. The full amount has been contributed for all three fiscal years.

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 system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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 9.5 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.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent each year beginning July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. 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, 2014, 2013, and 2012 were \$240,822, \$234,686, and \$240,485, respectively. For fiscal year 2014, 80.40 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

There were no contributions made to STRS Ohio for the DC Plan for fiscal year 2014. In addition, member contributions of \$3,961 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan, with \$5,041 contributed by the School.

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 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 2014, 0.14 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 fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School paid \$8,405 in surcharge.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

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, 2014, 2013, and 2012 were \$9,064, \$8,977, and \$10,750, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$3,576, \$3,973, and \$3,590, respectively. The full amount has been contributed for all three fiscal years.

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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,525, \$18,053, and \$18,499, respectively. For fiscal year 2014, 80.40 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the healthcare fund effective July 1, 2014.

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 COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. EMPLOYEE BENEFITS (Continued)

Insurance Benefits

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

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.

10. LEASES - LEASEE DISCLOSURE

The Sciotoville Elementary 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 2014 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2015.

11. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Current Portion
<u>Long-Term Obligations</u>	<u>\$54,001</u>	<u>\$2,365</u>	<u>\$10,523</u>	<u>\$45,843</u>	<u>\$9,538</u>
Compensated Absences	<u>\$54,001</u>	<u>\$2,365</u>	<u>\$10,523</u>	<u>\$45,843</u>	<u>\$9,538</u>

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, 2014.

Litigation

The School is not party to any legal proceedings.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. 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 result of these reviews for fiscal year 2014 was not available; therefore no payable or receivable was included in the School's financial statements.

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

13. RELATED PARTY TRANSACTIONS

On May 14, 2012 the Sciotoville Elementary Academy approved a promissory note agreement with the Sciotoville Community School whereby the Sciotoville Community School promised to pay to the order of the Sciotoville Elementary Academy the sum of \$30,000. Sciotoville Elementary Academy made the expenditure of \$30,000 to the Sciotoville Community School on August 28, 2012. The Sciotoville Community School was to pay no interest and the agreement included terms for repayment which included monthly payments until the full loan is repaid. On November 11, 2014, the Sciotoville Community School repaid the \$30,000 loan to the Sciotoville Elementary Academy. Also during fiscal year 2014, the Sciotoville Elementary Academy paid \$107,319 to the Sciotoville Community School for half the salary and benefits for the Superintendent, Assistant Treasurer, Custodian, and Physical Education Teacher. As indicated in Note 1, the Sciotoville Elementary Academy is considered a component unit of the Sciotoville Community School.

14. FINANCIAL SERVICES

On August 8, 2013 the Board of Directors approved separation with the Treasurer and approved an agreement with the South Central Ohio Educational Service Center to provide full financial services for fiscal year 2014. The agreement stipulated that the Educational Service Center was responsible to fully initiate and conduct all requirements of the Treasurer's office. These services were provided at a cost of \$45,000 for fiscal year 2014. On April 22, 2014 the Board of Directors approved a new agreement with the South Central Ohio Educational Service Center to provide full fiscal services for fiscal year 2015.

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	2013/2014	10.555	\$ 21,401	\$ 21,401
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	56,981	56,981
National School Lunch Program	2013/2014	10.555	163,854	163,854
Cash Assistance Subtotal			<u>220,835</u>	<u>220,835</u>
Total Child Nutrition Cluster			242,236	242,236
Fresh Fruit and Vegetable Program	2013/2014	10.582	<u>5,216</u>	<u>5,216</u>
Total U.S. Department of Agriculture			247,452	247,452
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	134,138 <u>271,166</u>	56,170 <u>273,669</u>
Total Title I Grants to Local Educational Agencies			405,304	329,839
Special Education - Grants to States (IDEA, Part B)	2013 2014	84.027	11,792 <u>84,577</u>	19,941 <u>85,919</u>
Total Special Education Grants to States (IDEA, Part B)			96,369	105,860
Improving Teacher Quality State Grants	2013 2014	84.367	523 <u>8,051</u>	0 <u>7,543</u>
Total Improving Teacher Quality State Grants			8,574	7,543
ARRA - Race to the Top	2012 2013 2014	84.395	(148) 5,265 <u>50,867</u>	0 5,799 <u>51,686</u>
Total ARRA - Race to the Top			<u>55,984</u>	<u>57,485</u>
Total U.S. Department of Education			<u>566,231</u>	<u>500,727</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 813,683</u>	<u>\$ 748,179</u>

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

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Sciotoville Community School's (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 entitlement value. The School allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFER BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School transferred the following amounts from 2012 to 2013 and 2013 to 2014:

Sciotoville Community School Program Title	CFDA Number	Amount Transferred from 2012 to 2013
ARRA – Race to the Top	84.395	\$148

Sciotoville Elementary Academy Program Title	CFDA Number	Amount Transferred from 2013 to 2014
ARRA – Race to the Top	84.395	\$4,005
Special Education Grants to States (IDEA, Part B)	84.027	1,260



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of the Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

March 11, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Sciotoville Community School's (the School) compliance with the applicable 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 Sciotoville Community School's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School's major federal programs.

Management's Responsibility

The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sciotoville Community School complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2014-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

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

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Sciotoville Community School
Scioto County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required By OMB Circular A-133
Page 3

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2015

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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?	No
(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	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA # 84.010 Special Education Grants to States (IDEA, Part B) – CFDA # 84.027
(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.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2014-001

Finding Number	2014-001
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010 Special Education Grants to States (IDEA, Part B) – CFDA # 84.027
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Single Audit Filing

OMB Circular Number A-133, Subpart C, Section __.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Furthermore, OMB Circular Number A-133, Subpart B, Section __.200(a) requires that non-federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted annually. Subpart C, Section __.300(e) also requires the auditee to ensure that the audits required by this part are properly performed and submitted when due (within nine months of the fiscal year end).

Although an annual federal single audit for the year ended June 30, 2013 was performed, it was not submitted to the Single Audit Clearinghouse before the deadline of March 30, 2014.

We recommend the Community School submit the annual financial report to the Single Audit Clearinghouse within nine months of the fiscal year end.

Officials’ Response:

The Sciotoville Community Schools in August 2013 entered into a contract with the South Central Ohio Educational Service Center (SCOESC) to provide fiscal services to the Community Schools.

The first audit after entering into the contract with the SCOESC, there were many, many cleanup items from the previous fiscal operations. As a result of this, there were three extensions requested and approved for filing the annual financial report extending the report filing deadline until February 27, 2014.

The Sciotoville Community School is aware of this filing deadline and will comply with this requirement.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(B)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Noncompliance citation and material weakness relating to accurate monthly reconciliations.	Yes	
2013-002	Noncompliance citation and material weakness relating to submitting the annual financial report to the Single Audit Clearinghouse within nine months of the fiscal year end.	No	Not Corrected. Reissued as Finding Number 2014-001.
2013-003	Noncompliance citation and material weakness relating to errors and deficiencies in the Federal Awards Receipts and Expenditures Schedule.	Yes	
2013-004	Noncompliance citation, material weakness and questioned cost relating to activities allowed or unallowed and allowable costs / cost principles relating to the Title I, Part A Cluster – CFDA # 84.010 and 84.389.	Yes	
2013-005	Noncompliance citation and material weakness relating to cash management for the Title I, Part A Cluster – CFDA # 84.010 and 84.389 and Special Education Grants to States (IDEA, Part B) – CFDA # 84.027 for deficiencies relating to the draw down process.	Yes	
2013-006	Noncompliance citation and material weakness relating to eligibility for the Title I, Part A Cluster – CFDA # 84.010 and 84.389.	Yes	
2013-007	Noncompliance citation and material weakness relating to level of effort: supplement and not supplant for the Title I, Part A Cluster – CFDA # 84.010 and 84.389.	Yes	
2013-008	Noncompliance citation and material weakness relating to period of availability for the Title I, Part A Cluster – CFDA # 84.010 and 84.389 and Special Education Grants to States (IDEA, Part B) – CFDA # 84.027.	Yes	
2013-009	Material weakness relating to grant accountability relating to period of availability for the Title I, Part A Cluster – CFDA # 84.010 and 84.389 and Special Education Grants to States (IDEA, Part B) – CFDA # 84.027.	Yes	

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The Sciotoville Community Schools in August 2013 entered into a contract with the South Central Ohio Educational Service Center (SCOESC) to provide fiscal services to the Community Schools. The first audit after entering into the contract with the SCOESC, there were many, many cleanup items from the previous fiscal operations. As a result of this, there were three extensions requested and approved for filing the annual financial report extending the report filing deadline until February 27, 2014. The Sciotoville Community School is aware of this filing deadline and will comply with this requirement.	FY 2015	Andrew T. Riehl, Treasurer

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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 31, 2015**