



Dave Yost • Auditor of State



PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY  
JUNE 30, 2017

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Pickerington Community School  
Fairfield County  
7800 Refugee Road  
Pickerington, Ohio 43147

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Pickerington Community School, Fairfield County, Ohio (the School), as of and for the year ended June 30, 2017, 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 audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pickerington Community School, Fairfield County, Ohio, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the School closed due to a settlement with Ohio Department of Education on June 30, 2017. We did not modify our opinion regarding this matter.

***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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, 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

February 21, 2018

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

The management's discussion and analysis of the Pickerington Community School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- The School ceased operations effective June 30, 2017. There is no remaining net position at June 30, 2017 (see Note 10 for detail).
- The School had operating revenues of \$686,161, operating expenses of \$742,149 and non-operating revenues of \$21,888 for fiscal year 2017. The School has reported a special item for discontinued operations in the amount of (\$14,119). Total change in net position for the fiscal year was a decrease of \$48,219.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 6 and 7 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

The table below provides a summary of the School's net position for fiscal year 2017 and 2016.

**Net Position**

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current assets	\$ 14,119	\$ 96,926
Total assets	<u>14,119</u>	<u>96,926</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>14,119</u>	<u>48,707</u>
Total liabilities	<u>14,119</u>	<u>48,707</u>
<b><u>Net Position</u></b>		
Unrestricted	<u>-</u>	<u>48,219</u>
Total net position	<u>\$ -</u>	<u>\$ 48,219</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position totaled \$0. The School discontinued operations effective June 30, 2017. At June 30, 2016, the School had cash. This asset was offset by a liability since the School ceased operations.

The table below shows the changes in net position for fiscal year 2017 and 2016.

**Change in Net Position**

	<u>2017</u>	<u>2016</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 686,161	\$ 736,058
Total operating revenue	<u>686,161</u>	<u>736,058</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	721,113	626,342
Materials and supplies	<u>21,036</u>	<u>70,393</u>
Total operating expenses	<u>742,149</u>	<u>696,735</u>
<b><u>Non-operating Revenues:</u></b>		
Grants and subsidies	<u>21,888</u>	<u>22,887</u>
Total non-operating revenues	<u>21,888</u>	<u>22,887</u>
Special item - discontinue operations	(14,119)	-
Change in net position	(48,219)	62,210
Net position (deficit) at beginning of year	<u>48,219</u>	<u>(13,991)</u>
Net position at end of year	<u>\$ -</u>	<u>\$ 48,219</u>



**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

The School's activities are funded primarily from the state foundation program which provides funding based on a per pupil formula. Unlike traditional schools within the State of Ohio, community schools receive no support from the local community in the form of property taxes. Therefore, intergovernmental revenues from the state foundation program and specific educational federal and state grants are the only consistent revenue sources for the School. Revenue from the foundation program totaled \$686,161 in fiscal year 2017 and was based on the number of students served by the School using the State of Ohio's per pupil funding amount. Revenue from the foundation program is 96.91% of total revenues received by the School. Intergovernmental revenue (foundation program plus federal and state educational specific grants) are 100% of the total revenues reported by the School. It is clear the School is financially dependent on the State of Ohio continuing to fund community schools in a consistent manner from one year to the next.

Operating expenses totaled \$742,149 in fiscal year 2017. The operating expenditures were primarily for purchased services related to the purchase of data processing, fiscal services and payments for professional instruction and counseling services most of which are purchased from the Schools Sponsor, the Pickerington Local School District.

The School discontinued operations effective June 30, 2017. See Note 10 to the financial statements for detail.

**Capital Assets**

At June 30, 2017 and June 30, 2016, the School had no capital assets.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact T. Ryan Jenkins, Treasurer at Pickerington Community School, 7800 Refugee Road, Pickerington, Ohio 43147 or email at [ryan\\_jenkins@plsd.us](mailto:ryan_jenkins@plsd.us).

BASIC  
FINANCIAL STATEMENTS

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**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Assets:</b>	
Current assets:	
Cash . . . . .	\$ 14,119
Total assets . . . . .	<u>14,119</u>
<b>Liabilities:</b>	
Current liabilities:	
Intergovernmental payable . . . . .	14,119
Total liabilities . . . . .	<u>14,119</u>
<b>Net position:</b>	
Unrestricted . . . . .	<u>-</u>
Total net position . . . . .	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 686,161
Total operating revenues . . . . .	686,161
 <b>Operating expenses:</b>	
Purchased services. . . . .	721,113
Materials and supplies . . . . .	21,036
Total operating expenses . . . . .	742,149
 Operating loss . . . . .	 (55,988)
 <b>Non-operating revenues:</b>	
Grants . . . . .	21,888
Total nonoperating revenues . . . . .	21,888
 Loss before special item. . . . .	 (34,100)
Special item. . . . .	(14,119)
 Change in net position . . . . .	 (48,219)
 <b>Net position at beginning of year. . . . .</b>	 48,219
 <b>Net position at end of year. . . . .</b>	 \$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 756,325
Cash payments for contractual services . . . . .	(750,600)
Cash payments for materials and supplies . . . . .	<u>(40,256)</u>
Net cash used in operating activities . . . . .	<u>(34,531)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants . . . . .	<u>40,409</u>
Net cash provided by noncapital financing activities. . . . .	<u>40,409</u>
Net increase in cash and cash equivalents . . . . .	5,878
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>8,241</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 14,119</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (55,988)
Changes in assets and liabilities:	
Decrease in intergovernmental receivable . . . . .	70,164
(Decrease) in accounts payable . . . . .	(19,220)
(Decrease) in intergovernmental payable . . . . .	<u>(29,487)</u>
Net cash used in operating activities . . . . .	<u><u>\$ (34,531)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Pickerington Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students between 16 and 21 years of age who have dropped out of high school or are at risk of dropping out due to poor attendance, disciplinary problems, or suspensions. The School is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School is a dropout prevention/credit recovery high school that provides instruction through a vigorous, creative community-school program that prepares students for the 21st century.

The School was approved for operation under a Sponsorship Contract with the Pickerington Local School District (the "Sponsor"). A new Sponsorship contract was entered into on June 10, 2013 for the five year period July 1, 2013 through June 30, 2018. The Sponsor reserves the right to terminate this agreement with notice to the School by May 1st of any year, in which event the contract would expire on June 30th of that year. The School ceased operations on June 30, 2017. The Sponsor provided and maintained space at Pickerington North High School during the fiscal year.

The School operates under the direction of a three-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out 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.

A Service Agreement was approved between the School and the Sponsor for a two year period ending July 31, 2013. This Service Agreement was renewed for a five year period commencing August 1, 2013 and ending June 30, 2018. In accordance with the Service Agreement, the School purchased all services necessary for the operation of the School from the Sponsor. According to the contract, the total amount of these services is reimbursed for actual expenses incurred by the Sponsor. During the fiscal year, the School paid the Sponsor \$713,773. All personnel providing services to the School on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's significant accounting policies are described below.

**A. Basis of Presentation**

The School's BFS consists of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows.

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**B. Measurement Focus and Basis of Accounting**

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes.

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. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a 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.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the contract with its Sponsor. The contract between the School and its Sponsor requires the School to prepare a five-year annual budget detailing revenues and expenses.

**D. Cash**

All monies received by the School are deposited into a demand deposit account. For internal accounting purposes, the School segregates its cash into various funds.

**E. Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School will apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.



**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Intergovernmental Revenue**

The School participated in the State Foundation Program, the IDEA Part B grant and received other unrestricted grants-in-aid from the State of Ohio. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2017 school year, excluding all other State and Federal grants, totaled \$686,161.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. State and Federal grants revenue for the fiscal year 2017 received was \$21,888.

**G. Estimates**

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

**H. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold to include all assets over \$5,000 with a useful life of more than one year. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

The School had no capital assets at June 30, 2016 or June 30, 2017.

**I. Special Item**

Special items are transactions or events that are within the control of the School and that are either unusual in nature or infrequent in occurrence. The School ceased operations as of June 30, 2017. Due to this a special item was reported in the financial statements. See Note 10 to the notes to the basic financial statements for detail.

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2017, the School has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

At June 30, 2017, the carrying amount of all School deposits was \$14,119. Based on the criteria described in GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”, as of June 30, 2017, the entire bank balance of \$166,183 was covered by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 5 - PURCHASED SERVICES**

For fiscal year ended June 30, 2017, purchased services expenses were as follows:

Professional and technical services	\$ 718,071
Travel, mileage and meetings	<u>3,042</u>
Total purchased services	<u>\$ 721,113</u>

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - RISK MANAGEMENT**

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 2017, the School was covered under the Sponsor's insurance policy for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage.

Settled claims have not exceeded this coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

**NOTE 7 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2017.

**B. Foundation Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The ODE is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As a result of the final FTE adjustment reviews for fiscal year 2017, the School owes \$7 to ODE. This amount has been included in the financial statements as an intergovernmental payable.

**C. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**NOTE 8 - FEDERAL TAX-EXEMPT STATUS**

In accordance with the options granted under existing Ohio law and the School's relationship with the Sponsor, the School is considered a governmental entity not subject to tax and is not required to file for not-for-profit tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code.

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 9 - FISCAL AGENT**

The School utilizes the services of the Sponsor's Treasurer as its fiscal officer. The School does not directly pay the Treasurer; however, it does reimburse the Sponsor for the services.

**NOTE 10 - SPECIAL ITEM - DISCONTINUED OPERATIONS**

In the fall of 2016, Pickerington Local School District appealed the outcome of its fiscal year 2015-2016 community school sponsor evaluation. A settlement agreement was reached between the District and the Ohio Department of Education solely to resolve the dispute without the time and expense involved in legal proceedings. The agreement indicated the District would continue to exercise community school sponsorship authority until June 30, 2017 at which such time the District would relinquish its authority and close the school.

The School ceased operations effective June 30, 2017 based on a resolution passed by the Governing Authority. The School has followed the closing procedures prescribed by Ohio Department of Education (ODE) and those of the settlement agreement. Those procedures include, among others, official notification to ODE, retirement systems, the students and the community of the School's decision to close. Once all costs and liabilities are known, the Academy will pay its final costs and any residual cash balances remaining will be remitted to ODE per Ohio Revised Code 3314.074. As of June 30, 2017, the School had a cash balance of \$14,119.

Due to discontinuing operations, the School is reporting a special item of \$14,119 which relates to the addition of an intergovernmental payable for which the School will be paying back to the sponsor, Pickerington Local School District.

The sponsor, Pickerington Local School District, is to account for all revenues and expenses related to the School after June 30, 2017.



# 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*

Pickerington Community School  
Fairfield County  
7800 Refugee Road  
Pickerington, Ohio 43147

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 Pickerington Community School, Fairfield County, Ohio, (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 21, 2018, wherein we noted the School closed due to a settlement with Ohio Department of Education on June 30, 2017.

### ***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 opinion 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 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 this 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 "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2018



# Dave Yost • Auditor of State

PICKERINGTON COMMUNITY SCHOOL

FAIRFIELD 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 22, 2018