



Dave Yost • Auditor of State

UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis June 30, 2011	7
Statement of Revenues, Expenses, and Changes in Net Assets – Cash Basis For the Fiscal Year Ended June 30, 2011	8
Notes to the Basic Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	21
Independent Accountants' Report on Applying Agreed-Upon Procedure	23

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Upper Scioto Wind/Energy Academy
Hardin County
PO Box 305
McGuffey, Ohio 45859

To the Board of Directors:

We have audited the accompanying financial statements of the Upper Scioto Wind/Energy Academy, Hardin County, Ohio (the Academy), as of and for the fiscal year ended June 30, 2011, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Ohio Administrative Code § 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

As disclosed in Note 10, the Upper Scioto Valley Local School District Board of Education (the Academy's Sponsor) submitted a letter to the Ohio Department of Education on May 31, 2011 indicating their desire to discontinue operations of the Academy. On June 30, 2011, the Academy ceased operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Upper Scioto Wind/Energy Academy, Hardin County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

As discussed in Note 3, for fiscal year 2011, the Academy restated the July 1, 2010 Net Assets and changed its accounting basis from generally accepted accounting principles to the cash basis of accounting (See Note 2), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Academy has elected to present the cash basis financial statements in a GASB 34 like format.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Academy's financial statements taken as a whole. Management's Discussion and Analysis includes a table of net assets, and a table of changes in net assets. These tables and the illustration provide additional information, but are not part of the basic financial statements. However these tables and the illustration are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the illustration were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables and illustration, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

May 4, 2012

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of the Upper Scioto Wind/Energy Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The Academy ceased operations on June 30, 2011.
- Net assets of the Academy increased \$52,766 or 182.52 percent from the prior year.
- The Academy had operating revenues of \$334,527, operating expenses of \$495,870 and non-operating revenues of \$214,109 for fiscal year 2011. Total change in net assets increased from \$28,910 to \$81,676.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the cash activities of the Academy as a whole.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Academy's Financial Activities

Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

These documents look at all financial transactions and asks the question, "How did we do financially during 2011, within the limitations of the cash basis of accounting?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, revenues and expenses* using the *cash basis of accounting*. This basis of accounting will report the Academy's cash position and the changes in cash position.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Academy's financial health. Over time, increases or decreases in the Academy's cash position is one indicator of whether the Academy's financial health is improving or deteriorating. When evaluating the Academy's financial condition, you should also consider other non-financial factors as well such as the changes in revenue sources, the condition of capital assets, the extent of the debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in revenue sources.

The table below provides a summary of the Academy's net assets for 2011 compared to 2010 on a cash basis. Certain 2010 amounts have been restated for presentation on a cash basis.

Net Assets		
	2011	Restated 2010
Assets:		
Current assets	\$81,676	\$28,910
Total assets	<u>81,676</u>	<u>28,910</u>
Net Assets:		
Restricted	122,822	59,745
Unrestricted (deficit)	(41,146)	(30,835)
Total Net Assets	<u>\$81,676</u>	<u>\$28,910</u>

Total assets increased \$52,766, which represents a 182.52 percent increase from fiscal year 2010. The Academy ceased operations on June 30, 2011. All assets will transfer to Upper Scioto Valley Local School District, the Academy's sponsor.

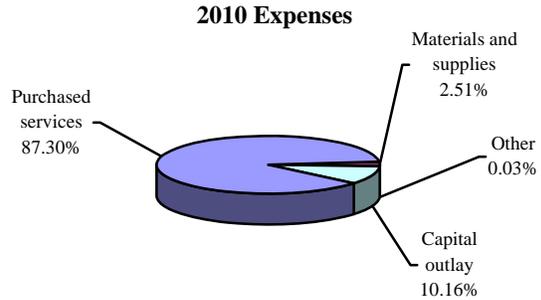
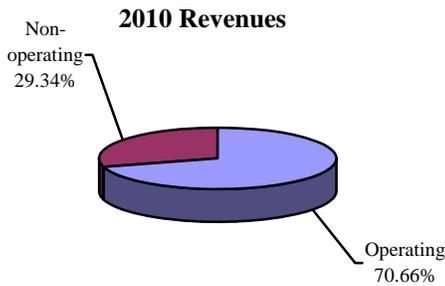
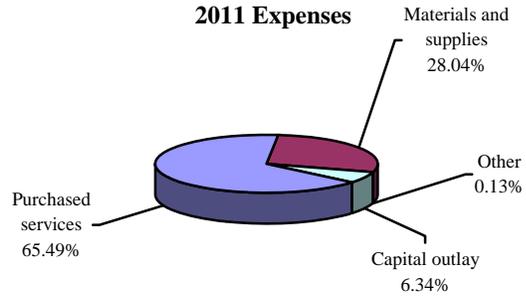
The table below shows the changes in net assets for 2011 compared to 2010 on a cash basis. Certain 2010 amounts have been restated for presentation on a cash basis.

Change in Net Assets		
	2011	Restated 2010
Operating Revenues:		
State foundation	\$315,921	\$243,790
Other operating revenues	18,606	16,200
Total operating revenue	<u>334,527</u>	<u>259,990</u>
Operating Expenses:		
Purchased services	324,732	304,221
Materials and supplies	139,046	8,737
Capital outlay	31,422	35,408
Other	670	118
Total operating expenses	<u>495,870</u>	<u>348,484</u>
Non-operating Revenues:		
Federal and state grants	214,109	107,964
Total non-operating revenues	<u>214,109</u>	<u>107,964</u>
Change in net assets	52,766	19,470
Net assets at beginning of period	28,910	9,440
Net assets at end of period	<u>\$ 81,676</u>	<u>\$ 28,910</u>

UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)

The charts below illustrate the revenues and expenses for the Academy for fiscal years 2010 and 2011.



Capital Assets

The Academy does not currently report its capital assets on the cash basis of accounting.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information please contact the Treasurer of the Upper Scioto Valley School District, Stacy Gratz, P.O. Box 305, McGuffey, Ohio 45859.

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UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011

Assets:

Current Assets:

Cash	\$81,676
Total Assets	<u>81,676</u>

Net Assets:

Restricted:

State Funded Programs	1,200
Federal Funded Programs	121,622
Unrestricted (deficit)	<u>(41,146)</u>
Total Net Assets	<u><u>\$81,676</u></u>

See accompanying notes to the basic financial statements.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Operating Revenues:

State Foundation	\$315,921
Other Operating Revenues	18,606
Total Operating Revenues	<u>334,527</u>

Operating Expenses:

Purchased Services	324,732
Materials and Supplies	139,046
Capital Outlay	31,422
Other	670
Total Operating Expenses	<u>495,870</u>

Operating Loss	<u>(161,343)</u>
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Non-Operating Revenues:

State and Federal Grants	214,109
Total Non-Operating Revenues	<u>214,109</u>

Changes in Net Assets	52,766
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Net Assets at Beginning of Year (Restated - Note 3)	<u>28,910</u>
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Net Assets at End of Year	<u><u>\$81,676</u></u>
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See accompanying notes to the basic financial statements.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE ACADEMY

Upper Scioto Wind/Energy Academy (the "Academy") was a conversion-type, site-based community school established pursuant to Ohio Revised Code Chapters 3314 to address the needs of students between sixteen and twenty-two years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions. The Academy was designed to develop an individual's understanding of the importance, practice, development, delivery, and comprehensiveness of alternative and renewable energy sources and their overall impact on long-term resource conservation and availability. The Academy was a public school, legally separate from any school district, and part of the state education program. The Academy was nonsectarian in its programs, admission policies employment practices and all other operations. The Academy could sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On March 14, 2009, the Academy was approved for operation under a contract with the Upper Scioto Valley Local School District (the "Sponsor") for a five year period commencing July 1, 2009. The Academy began operations on August 18, 2009. The Sponsor was responsible for evaluating the performance of the Academy and had the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy utilized certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The Academy was fiscally dependent on the Sponsor and was therefore presented as a discretely presented component unit of the Sponsor. On June 30, 2011, the Academy ceased operations (See Note 10).

The Academy operated under the direction of a five-member Board of Directors. A majority of the members of the Board of Directors were elected or appointed public officials or public employees, or shall be other community leaders, as set forth in the Academy's code of regulations. The Board of Directors may also include one or more parents of students enrolled in the Academy of civic leaders.

The Academy entered into a service agreement with the Sponsor (See Note 7 for detail).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncement, in which case GASB prevails. The Academy does not apply FASB statements issued after November 30, 1989, to its business-type activities. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets and a statement of revenues, expenses and change in net assets. The statement of net assets presents the cash balance of the business-type activities of the Academy at fiscal year end.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of revenues, expenses and changes in net assets compares disbursements with receipts for each function of the Academy's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

B. Basis of Accounting

The Academy uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. 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 Academy's contract with its Sponsor. The contract between the Academy and its Sponsor required a detailed school budget for each year of the contract; however, the budget did not have to follow the provisions of Ohio Revised Code Chapter 5705.

D. Cash

All monies received by the Academy were deposited in a demand deposit account.

E. Capital Assets

Acquisitions of property, plant and equipment were recorded as disbursements when paid. These items were not reflected as assets in the accompanying financial statements.

F. Inventory and Prepaid Items

The Academy reported disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets

Net assets were reported as restricted when there were limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The Academy applied restricted resources when an expense was incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2011, the Academy had \$122,822 restricted net assets, none of which was restricted by enabling legislation.

H. Intergovernmental Revenue

The Academy participated in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accompanying financial statements.

The Academy participated in various programs through the Ohio Department of Education. These include the Federal Charter School Grant Program, the American Recovery and Reinvestment Act grants, the Electronic Management Information System Grant, Education Jobs Grant, Education Stabilization Grant and the IDEA Part B Grant.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

B. Restatement of Prior Year Net Assets and Change in Basis of Accounting

The net assets at June 30, 2010 have been restated to account for error made in fiscal year 2010 due to a check being recorded to the accounting system twice.

In addition, Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2011, the Academy changed from a generally accepted basis of accounting to the cash basis of accounting (See Note 2.B), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Academy has elected to present the cash basis financial statements in a GASB 34 like format. The net assets at June 30, 2010 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

The transition from the accrual basis of accounting to the cash-basis of accounting had the following effect on net assets at June 30, 2010:

Net Assets	
at June 30, 2010	(\$55,540)
Restatement Due to Prior Period Error	2,400
Restatement Due to Change in Reporting Basis Adjustments	82,050
Net Assets at June 30, 2010	\$28,910

4. DEPOSITS

At June 30, 2011, the carrying amount of all Academy deposits was \$81,676. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, all of the Academy's bank balance of \$85,044 was covered by the FDIC.

The Academy had no investments during fiscal year 2011.

5. PURCHASED SERVICES

For the period ended June 30, 2011, purchased services expenses were as follows:

Instruction	\$ 41,269
Administration	266,347
Other purchased services	17,116
Total	\$324,732

6. RISK MANAGEMENT

The Academy was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy was covered under the liability and property policies of its Sponsor.

7. SERVICE AGREEMENT

The Academy entered into a provision of services agreement with its Sponsor. The agreement commenced on October 19, 2009 and was scheduled to expire on June 30, 2014. This agreement states that the Academy may make payments to the Sponsor, and, conversely, pursuant to Ohio Revised Code Section 3314.098, the Sponsor may provide funds, or services, at no cost to the Academy. The Sponsor and the Academy desire to work cooperatively to deliver the Academy's innovative and much-needed education program to school children.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. SERVICE AGREEMENT (Continued)

In exchange for the services and support (including equipment) provided by one of the parties to the other party, pursuant to this agreement, the party receiving the service shall pay to the other party a reimbursement of one hundred percent of the costs incurred in providing the services. The Sponsor provided the following services to the Academy and the Academy made the following payments to the Sponsor:

1. Provided building and "Green Lab" space
2. \$11,250 per year through June 30, 2011, for the provision and maintenance of the foregoing facilities, utilities, and associated administrative services
3. Payroll services
4. Custodial services including maintenance, snow removal, mowing and trimming
5. Psychological services
6. Technology services
7. Special education services
8. Instructional services rendered by licenses educators
9. Services provided by nonteaching personnel

At any time during the term of this agreement, by mutual agreement of the parties, all or a portion of the duties assigned to the Sponsor may be transferred to the Academy with such adjustment in the funding provided to the Sponsor by the Academy as determined by the parties. The parties may terminate this agreement by mutual consent. The agreement was terminated on June 30, 2011.

8. RELATED PARTY TRANSACTION

The Academy was a component unit of the Sponsor. The Academy and the Sponsor entered into a five year sponsorship agreement on March 14, 2009, whereby terms of the sponsorship were established. For 2011, payments were made by the Academy to the Sponsor totaling \$417,652. This represents payments for reimbursements for supplies and services provided by the Sponsor to the Academy.

9. CONTINGENCIES

A. Grants

The Academy 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 is 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 Academy at June 30, 2011.

B. Litigation

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

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. CONTINUED EXISTENCE/SUBSEQUENT EVENT

The Upper Scioto Valley Local School District Board of Education submitted a letter to the Ohio Department of Education on May 31, 2011 indicating their desire to discontinue operations of the Academy. On June 30, 2011, the Academy ceased operations.

In accordance with the Sponsorship Contract, upon dissolution, any remaining assets and liabilities of the Academy are to be conveyed to the Sponsor.

The following disbursements occurred subsequent to the closing of the Academy:

<u>Vendor</u>	<u>Amount</u>	<u>Purpose</u>
Urbana University	\$12,750	Tuition
Ohio Department of Education	50,000	Reimbursement

The Academy had the following unpaid invoices as of the opinion date:

Auditor of State	\$ 483	Financial Audit
SimplexGrinnell	444	Alarm
Ohio Northern University	9,945	Educational Contract
US Bank	109	Business Visa Card Account
Total	<u>\$10,981</u>	

As of May 4, 2012, the Academy owed the Upper Scioto Valley Local School District \$221,351 according to the School District's records. In addition, the Academy may still owe the Ohio Department of Education \$46,850.



Dave Yost • Auditor of State

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

Upper Scioto Wind/Energy Academy
Hardin County
PO Box 305
McGuffey, Ohio 45859

To the Board of Directors:

We have audited the financial statements of the Upper Scioto Wind/Energy Academy, Hardin County, (the Academy) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 4, 2012, wherein we noted the Academy prepared its financial statements using the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted the Academy changed its financial statement presentation method during 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-05.

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

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

Dave Yost
Auditor of State

May 4, 2012

UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 117.28 states where an audit report sets forth that any public money has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated, the officer receiving the certified copy of the report pursuant to Section 117.27 may, within one hundred twenty days after receiving the report, institute civil action in the proper court in the name of the public office to which the public money is due or the public property belongs for the recovery of the money or property and prosecute the action to final determination.

The auditor of state shall notify the attorney general in writing of every audit report which sets forth that any public money has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated and of the date that the report was filed.

Within one hundred twenty days after receiving the certified copy of the report, the officer receiving the report shall notify the attorney general in writing of whether any legal action has been taken. If no legal action has been taken, the officer shall, within the same period, notify the attorney general in writing of the reason why legal action has not been taken. The attorney general or his assistant may appear in any such action on behalf of the public office and may, either in conjunction with or independent of the officer receiving the report, prosecute an action to final determination. The attorney general may bring the action in any case where the officer fails to do so within one hundred twenty days after the audit report has been filed.

There is no evidence the Academy has disposed of the assets it acquired during its operations. During the fiscal year 2011 audit of the Wind Energy Academy, an inventory listing was obtained from the Academy showing assets which were acquired with Academy funds during the two years the Academy was operating. On December 21, 2011, an inventory count was performed by the Auditor of State comparing assets on the inventory list to actual assets belonging to the Academy which the Sponsor has secured. The results of this procedure indicated 10 computers purchased by the Academy with a combined acquisition cost of \$5,676 were unaccounted for. There was no evidence that the Academy disposed of the assets it acquired during its operations. The Auditor of State determined that the computers were likely converted or misappropriated, but unable to identify the individual(s) responsible for the loss.

Asset Description	Quantity	Acquisition Cost	Totals
	Unaccounted For		
Student Laptops	\$ 6	\$ 430	\$2,580
HP 6910P Laptops	4	\$ 774	3,096
Total	<u>\$10</u>		<u>\$5,676</u>

The Academy, or its sponsor the Upper Scioto Valley Local School District, should take the necessary steps to recover these assets or the associated cost.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03 (B) requires the Community School to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Community School prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Community School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Community School should prepare the financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements,

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Rev. Code Section 121.22(C) of Ohio's Open Meetings Act states that all meetings of any public body are declared to be public meetings open to the public at all times.

Ohio Rev. Code Section 121.22(A) states that the Act is to be liberally construed to require public officials subject to the Act to take official action and to conduct all deliberations upon official business only in open meetings unless the subject matter is specifically excepted by law.

The Open Meetings Act strictly limits the use of executive sessions because they do not take place in public. Executive sessions may be held for only a few specific purposes and no vote or other decision on the matter(s) discussed may take place during the executive session.

Ohio Rev. Code Section 121.22(G)(1) states the motion and vote to hold executive session shall state which one or more of the approved purposes listed in division (G)(1) are the purposes for which the executive session is being held.

From July 1, 2010 through June 30, 2011, the Academy's Board of Directors entered into executive session four times for the purpose of "consideration of appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or official". In all of these instances, the Academy's Board of Directors failed to specify for which one or more of these approved purposes the executive session was being held. Also, on one additional occasion the Academy's Board of Directors entered into executive session without stating the purpose.

Finally, in two instances, when the Board returned to open session, it failed to vote on any action to be taken on matters discussed in executive session.

The improper use of executive session privileges could result in an injunction being issued, in which case the Board of Directors could be required to correct its actions, and be responsible for paying various court costs, fines, and attorney fees.

FINDING NUMBER 2011-04

Noncompliance Citation

Ohio Rev. Code Section 3314.015(E) states that the department of education shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school. Pursuant to the Ohio Department of Education's *Community School Closing Procedures Assurances*, dated January 5, 2010, the following actions should be taken when a community school closes. The actions noted below either had no evidence to support the action taken, or that the action taken was timely and in accordance with ODE's guidance:

I. Initial Notifications, Student Records and School Records

- A. Submit all outstanding Federal Programs and other competitive award FER and APR reports to ODE including Title I using the CCIP.
- The Academy's 2011 Final Expenditure Report (FER) was not completed on the CCIP

II. Disposition of Assets; Review the financial records of the school

- A. Keep State and Federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities. Account for all school property throughout the closing process by distinguishing state from federal dollars.
- There was no evidence the Academy has disposed of the assets it acquired during its operations. However, as a part of the fiscal year 2011 audit of the Wind Energy Academy, an inventory listing was obtained from the Academy showing assets which were acquired with Academy funds during the two years the Academy was operating. On December 21, 2011, an inventory count was performed by the Auditor of State comparing assets on the inventory list to actual assets belonging to the Academy which the Sponsor has secured. The results of this procedure indicated 10 computers purchased by the Academy with a combined acquisition cost of \$5,676 were unaccounted for:

<u>Asset Description</u>	<u>Quantity Unaccounted For</u>	<u>Acquisition Cost</u>	<u>Totals</u>
Student Laptops	6	\$ 430	\$2,580
HP 6910P Laptops	4	\$ 774	3,096
Total			<u>\$5,676</u>

III. Preparation of Itemized Financials

- A. Review and prepare the following itemized financials; a list of bank accounts, closing the accounts once all transactions are cleared.
- The Academy has an outstanding credit card account through its financial institution with the former fiscal officer listed as the signatory on the account.

There was no evidence that Upper Scioto Wind Energy Academy (the Community School) and the Upper Scioto Valley Local School District (the Sponsor) followed the above School Closing procedures when the Community School closed. The Community School and/or Sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the closing of the Community School.

FINDING NUMBER 2011-05

Noncompliance Citation

Ohio Rev. Code Section 3314.011 states, in part, that prior to assuming the duties of fiscal officer, the fiscal officer of a community school must be licensed under **Ohio Rev. Code Section 3301.074** or must complete not less than sixteen hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the community school. Any fiscal officer not licensed under **Ohio Rev. Code Section 3314.074** must complete an additional twenty-four hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer. Any hours in excess of sixteen hours completed by the fiscal officer prior to assuming their duties will count toward the additional twenty-four hours of continuing education required under this section.

Ohio Admin. Code Section 117-6-07(B)(1) requires a community school fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer. The governing authority prescribes the bond amount and surety by resolution.

The Academy's fiscal officer was not licensed, did not complete the required continuing education classes, and did not execute a bond during fiscal period 2011.

The Academy's Board of Directors should implement procedures to help assure the fiscal officer is either licensed or completes the required continuing education courses. In addition, the Board should, by resolution, prescribe a bond amount commensurate with the duties of the fiscal officer and require the fiscal officer to obtain a bond.

Official's Response: We did not receive responses from officials to the findings reported above.

**UPPER SCIOTO WIND/ENERGY ACADEMY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Revised Code Section 121.22 – Board of Directors entered into executive session with no stated purpose.	No	Repeated as Finding 2011-03
2010-02	Ohio Revised Code Section 3314.011 – the Fiscal Officer was not licensed and Ohio Admin. Code Section 117-6-07(B)(1) – the Fiscal Officer did not execute a bond.	No	Repeated as Finding 2011-05

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Upper Scioto Wind/Energy Academy
Hardin County
P.O. Box 305
McGuffey, Ohio 45859

To the Board of Directors:

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

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

1. We noted the Board has elected to follow the policies of its Sponsor District, the Upper Scioto Valley Local School District. The Upper Scioto Valley Local School District amended its anti-harassment policy at its meeting on October 25, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

May 4, 2012

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Dave Yost • Auditor of State

UPPER SCIOTO WIND/ENERGY ACADEMY

HARDIN 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
JUNE 7, 2012