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**Pickerington Community School  
Fairfield County, Ohio**

Financial Statements

June 30, 2013

with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Directors  
Pickerington Community School  
7800 Refugee Road  
Pickerington, Ohio 43147

We have reviewed the *Independent Auditor's Report* of the Pickerington Community School, Fairfield County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pickerington Community School is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

February 3, 2014

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pickerington Community School  
7800 Refugee Road  
Pickerington, Ohio 43147

### Report of the Financial Statements

We have audited the accompanying financial statements of the Pickerington Community School, Fairfield County (the School), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pickerington Community School, as of June 30, 2013, and the changes in financial position and its cash flows for the year then ended in accordance with 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 that the management's discussion and analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



Springfield, Ohio  
December 27, 2013

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(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, 2013. 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 2013 are as follows:

- In total, net position was \$79,017 at June 30, 2013.
- The School had operating revenues of \$581,904, operating expenses of \$488,588 and non-operating revenues of \$10,651 for fiscal year 2013. Total change in net position for the fiscal year was an increase of \$103,967.

**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 2013?" 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, 2013  
(UNAUDITED)

The table below provides a summary of the School's net position for fiscal year 2013 and 2012 as restated.

**Net Position**

	<u>2013</u>	<u>Restated 2012</u>
<b><u>Assets</u></b>		
Current assets	\$ 149,784	\$ 52,163
Total assets	<u>149,784</u>	<u>52,163</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>70,767</u>	<u>77,113</u>
Total liabilities	<u>70,767</u>	<u>77,113</u>
<b><u>Net Position</u></b>		
Restricted	-	10,623
Unrestricted (deficit)	<u>79,017</u>	<u>(35,573)</u>
Total net position (deficit)	<u>\$ 79,017</u>	<u>\$ (24,950)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net position totaled \$79,017. At June 30, 2012, the School's net position did not have any resources that were subject to external restriction on how they may be used. The balance of unrestricted net position of \$79,017 may be used to meet the School's ongoing obligations to students and creditors.

The table below shows the changes in net position for fiscal year 2013 and 2012 as restated.

**Change in Net Position**

	<u>2013</u>	<u>Restated 2012</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 581,904	\$ 391,888
Total operating revenue	<u>581,904</u>	<u>391,888</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	450,625	425,418
Materials and supplies	<u>37,963</u>	<u>2,043</u>
Total operating expenses	<u>488,588</u>	<u>427,461</u>
<b><u>Non-operating Revenues:</u></b>		
Grants and subsidies	<u>10,651</u>	<u>10,623</u>
Total non-operating revenues	<u>10,651</u>	<u>10,623</u>
Change in net position	103,967	(24,950)
Net position (deficit) at beginning of year (restated)	<u>(24,950)</u>	<u>-</u>
Net position (deficit) at end of year	<u>\$ 79,017</u>	<u>\$ (24,950)</u>

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(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 \$581,904 in fiscal year 2013 and is 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 98.20% 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. The fiscal year 2012 amounts have been restated due to an adjustment on the foundation settlement report. This adjustment created a deduction of State foundation revenue.

Operating expenses totaled \$488,588 in fiscal year 2013. The overwhelming majority of the expenditures were 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. Materials and supplies expenses were \$37,963 for the year as instructional supplies needed for the new educational curriculum were purchased as well as general computer and office supplies.

**Capital Assets**

At June 30, 2013, the School had no capital assets.

**Current Financial Related Activities**

The School will strive to continue its success in future years and will continuously look for ways to enhance the student learning process.

The School will continue to use space provided by the Sponsor in the Pickerington North High School building.

The School's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

**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).

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2013

<b>Assets:</b>	
Current assets:	
Cash . . . . .	\$ 140,494
Receivables:	
Intergovernmental. . . . .	<u>9,290</u>
Total assets. . . . .	<u>149,784</u>
 <b>Liabilities:</b>	
Current liabilities:	
Intergovernmental payable . . . . .	<u>70,767</u>
Total liabilities . . . . .	<u>70,767</u>
 <b>Net position:</b>	
Unrestricted. . . . .	<u>79,017</u>
Total net position. . . . .	<u>\$ 79,017</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, 2013

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 581,904
Total operating revenues . . . . .	<u>581,904</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	450,625
Materials and supplies . . . . .	<u>37,963</u>
Total operating expenses. . . . .	<u>488,588</u>
 Operating income . . . . .	 <u>93,316</u>
 <b>Non-operating revenues:</b>	
Grants . . . . .	<u>10,651</u>
Total nonoperating revenues . . . . .	<u>10,651</u>
 Change in net position . . . . .	 103,967
 <b>Net position (deficit) at beginning of year (restated). . . . .</b>	  <u>(24,950)</u>
 <b>Net position at end of year . . . . .</b>	  <u>\$ 79,017</u>

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, 2013

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 561,773
Cash payments for purchased services . . . . .	(422,505)
Cash payments for materials and supplies . . . . .	<u>(52,298)</u>
Net cash provided by operating activities . . . . .	<u>86,970</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	<u>1,361</u>
Net cash provided by noncapital financing activities. . . . .	<u>1,361</u>
Net increase in cash and cash cash equivalents . . . . .	88,331
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>52,163</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 140,494</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 93,316
Changes in assets and liabilities:	
(Decrease) in accounts payable. . . . .	(32,825)
Increase in intergovernmental payable . . . . .	<u>26,479</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 86,970</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, 2013**

**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 Sponsor provided and maintained space at Pickerington North High School during the fiscal year.

The School operates under the direction of a five-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 (see Note 11). 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 \$459,303 and owed \$46,610 at June 30, 2013, which is reflected as an intergovernmental payable on the face of the basic financial statements. 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, 2013**

**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 flow 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. No portion of net position was restricted at June 30, 2013. 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, 2013

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

**F. Intergovernmental Revenue**

The School currently participates 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 2013 school year, excluding all other State and Federal grants, totaled \$581,904.

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 2013 received was \$10,651.

**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 of \$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, 2012 or June 30, 2013.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the School has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".



**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. The School had no deferred outflows of resources or deferred inflows of resources at June 30, 2013.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the School.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School.

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Restatement of Net Position**

Net position at June 30, 2012 has been restated to adjust for a deduction to the foundation settlement report relating to fiscal year 2012. This restatement had the following effect on net position:

Net assets as previously reported	\$ 19,338
Restatement for foundation revenue adjustment	<u>(44,288)</u>
Net position at July 1, 2012	<u>\$ (24,950)</u>

**NOTE 4 - DEPOSITS**

At June 30, 2013, the carrying amount of all School deposits was \$140,494. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the entire bank balance of \$140,494 was covered by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 5 - RECEIVABLES**

Intergovernmental receivables at June 30, 2013 consisted of \$9,290 due related to the IDEA Part B grant. This receivable is expected to be collected in the subsequent year.

**NOTE 6 - PURCHASED SERVICES**

For fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and technical services	\$ 448,780
Travel, mileage and meetings	188
Communications	172
Contracted trade services	<u>1,485</u>
Total purchased services	<u>\$ 450,625</u>

**NOTE 7 - 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 2013, the School was covered under the Sponsor's insurance policy for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage.

**PICKERINGTON COMMUNITY SCHOOL  
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - 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, 2013.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) 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 conclusions of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2013, as a result of such review.

The fiscal year 2012 audit resulted in a foundation adjustment of \$44,288 which will be deducted from the school's foundation settlement. During fiscal year 2013, the School paid \$20,131 which leaves the remaining balance of \$24,157 as a liability at June 30, 2013. This amount will be paid in fiscal year 2014.

**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 9 - 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.

**NOTE 10 - 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 11 – SIGNIFICANT SUBSEQUENT EVENTS**

On August 12, 2013, the School renewed a Service Agreement with its Sponsor (the Pickerington Local School District) commencing August 1, 2013 and ending June 30, 2018.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Pickerington Community School  
7800 Refugee Road  
Pickerington, Ohio 43147

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pickerington Community School (the School), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit findings, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit findings as 2013-001 to be a material weakness.

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.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the School's response and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Springfield, Ohio  
December 27, 2013

**Finding 2013-001: Audit Adjustments**

Auditing standards generally accepted in the United States of America require certain audit adjustments be communicated to those charged with governance. During the audit, we noted adjustments necessary to properly report amounts reported for intergovernmental payables, state foundation revenue, and beginning net position for fiscal year 2013. The School posted the necessary adjustments to the financial statements once notified.

We recommend the School review the procedures and controls in place to prepare its annual financial statements to ensure the internal control environment is sufficient to identify potential misstatements during the preparation of the annual financial statements.

*Management response: District Management recognizes the importance of publishing accurate and reliable financial statements that our constituents can rely upon to make sound judgments about how District resources are being managed. That being said, it is critical for District Management to take the constructive criticism offered by our auditors into account when analyzing how the financial statements are compiled and reported.*

*This report level comment will be carefully considered as District Management works with its GAAP compiler in future years, and District Management will strive to ameliorate the finding by instituting a more accurate internal review and more stringent control procedures to insure that future financial statements are as accurate and reliable as possible.*

## INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors  
Pickerington Community School  
7800 Refugee Road  
Pickerington, Ohio 43147

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the 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 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 Pickerington Community School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy on July 11, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or through "electronic communications".

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 of Directors and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio  
December 27, 2013

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# 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  
FEBRUARY 13, 2014**