



Dave Yost • Auditor of State

**PSCHECIN PUBLIC SCHOOLS
FRANKLIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	27

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

North Central Ohio Educational Service Center
Pschtecinc Public School
Franklin County
333 East Center Street
Marion, Ohio 43302

To the Sponsor:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Pschtecinc Public School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2013, 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 conducting the audit 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management has not provided the Auditor of State certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's accounting basis, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the School's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all federal assistance programs, and compliance with federal grant requirements.

Disclaimer Opinion

Due to the significance of the matters discussed in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the School for the year ended June 30, 2013.

Emphasis of Matter

As disclosed in Note 18, on December 6, 2013, the School was suspended by the Sponsor. The School officially closed as of September 30, 2014. We did not modify our opinion regarding these matters.

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 September 30, 2016, 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

September 30, 2016

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The discussion and analysis of the Pschtecin Public School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal 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 a deficit of \$69,158 at June 30, 2013.
- The School had operating revenues of \$419,295, operating expenses of \$642,632 and non-operating revenues of \$119,036 for fiscal year 2013.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so 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

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, 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 those assets. 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 7 and 8 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 9 of this report.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below provides a comparative analysis of fiscal years 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 42,954	\$ 68,561
Non-current assets	<u>3,553</u>	<u>14,500</u>
Total assets	<u>46,507</u>	<u>83,061</u>
<u>Liabilities</u>		
Current liabilities	<u>115,665</u>	<u>47,918</u>
Total liabilities	<u>115,665</u>	<u>47,918</u>
<u>Net Position</u>		
Investment in capital assets	1,553	12,500
Unrestricted (deficit)	<u>(70,711)</u>	<u>22,643</u>
Total net position (deficit)	<u>\$ (69,158)</u>	<u>\$ 35,143</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 a deficit of \$69,158, compared to a positive net position of \$35,143 at June 30, 2012.

The School reported an intergovernmental receivable for grants at June 30, 2013 and June 30, 2012 in the amount of \$8,817 and \$22,710, respectively.

Current liabilities represent accounts payable and intergovernmental payables for professional services. The School reported an intergovernmental payable at June 30, 2013 and June 30, 2012 in the amount of \$91,294 and \$14,267, respectively. The \$77,027 increase in intergovernmental payable is due to an increase in amounts due to the School's Sponsor for purchased services costs related to personnel.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The table below shows the changes in net position for fiscal years 2013 and 2012.

Change in Net Position

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues:</u>		
State foundation	\$ 418,207	\$ 564,785
Sales / charges for service	1,014	-
Other	<u>74</u>	<u>601</u>
Total operating revenue	<u>419,295</u>	<u>565,386</u>
<u>Operating Expenses:</u>		
Salaries and wages	18,989	264,855
Fringe benefits	21,481	69,054
Purchased services	564,781	403,944
Materials and supplies	11,318	19,376
Depreciation	10,947	9,992
Other	<u>15,116</u>	<u>16,366</u>
Total operating expenses	<u>642,632</u>	<u>783,587</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	<u>119,036</u>	<u>148,440</u>
Total non-operating revenues	<u>119,036</u>	<u>148,440</u>
Change in net position	(104,301)	(69,761)
Net position at beginning of year	<u>35,143</u>	<u>104,904</u>
Net position (deficit) at end of year	<u>\$ (69,158)</u>	<u>\$ 35,143</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up 99.8% of all revenues for the School in fiscal year 2013. The primary reason for the decrease in overall revenues from 2012 was the decrease in State foundation and Federal and State grants. The State Foundation decreased as a result of a decline in enrollment. The salaries and benefits costs decreased and purchased services increased as a result of the agreement with North Central Ohio Educational Service Center to provide teachers to the School.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

Debt

At June 30, 2013, the School had no outstanding debt.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Capital Assets

At the end of the fiscal year 2013, the School had \$1,553 in net capital assets. See Note 4 to the basic financial statement.

Current Financial Related Activities

During the fiscal year ended June 30, 2013, there were approximately 62 students enrolled in the School. The School receives its finances mostly from the State foundation and Federal and State grants. In order to continually provide learning opportunities to students of the School, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to the Sponsor, North Central Ohio Educational Service Center, Mr. Terry Conley, 333 E. Center St, Marion, Ohio 43302 or at tconley@ncoesc.org.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash and cash equivalents	\$ 25,152
Receivables:	
Intergovernmental.	8,817
Prepayments	<u>8,985</u>
Total current assets	<u>42,954</u>
Non-current assets:	
Security deposit.	2,000
Depreciable capital assets, net	<u>1,553</u>
Total non-current assets	<u>3,553</u>
Total assets.	<u>46,507</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	24,371
Intergovernmental payable	<u>91,294</u>
Total liabilities	<u>115,665</u>
 Net position:	
Investment in capital assets.	1,553
Unrestricted (deficit).	<u>(70,711)</u>
Total net position (deficit)	<u>\$ (69,158)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
Foundation revenue	\$ 418,207
Sales/charges for services.	1,014
Other	74
Total operating revenues	<u>419,295</u>
Operating expenses:	
Salaries and wages.	18,989
Fringe benefits.	21,481
Purchased services.	564,781
Materials and supplies	11,318
Depreciation	10,947
Other.	15,116
Total operating expenses.	<u>642,632</u>
Operating loss	<u>(223,337)</u>
Non-operating revenues:	
Grants and subsidies.	119,036
Total nonoperating revenues.	<u>119,036</u>
Change in net position	(104,301)
Net position at beginning of year.	<u>35,143</u>
Net position (deficit) at end of year.	<u>\$ (69,158)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from state foundation	\$ 424,772
Cash received from sales/charges for services.	1,014
Cash received from other operations	74
Cash payments for salaries and wages.	(24,226)
Cash payments for fringe benefits	(35,677)
Cash payments for contractual services	(476,298)
Cash payments for materials and supplies	(13,584)
Cash payments for other expenses	(11,149)
	(135,074)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	115,542
	115,542
Net cash provided by noncapital financing activities.	115,542
Net decrease in cash and cash equivalents.	(19,532)
Cash and cash equivalents at beginning of year . . .	44,684
Cash and cash equivalents at end of year	\$ 25,152
	\$ 25,152
Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	\$ (223,337)
Adjustments:	
Depreciation	10,947
Changes in assets and liabilities:	
Decrease in accounts receivable	1,167
Decrease in intergovernmental receivable	13,893
Increase in prepayments	(8,985)
Decrease in accounts payable.	(3,234)
Decrease in accrued wages and benefits	(6,046)
Increase in intergovernmental payable	80,521
	80,521
Net cash (used in) operating activities	\$ (135,074)
	\$ (135,074)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Pschtecin Public School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code exclusively for educational purposes. The School's mission is to provide fifteen to twenty-one year old students an eighth through twelfth grade educational program with a better option to achieve high academic standards. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes and as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School was approved for operation under a contract with the Lucas County Educational Service Center that began on April 28, 2005. The sponsorship was then assigned to Buckeye Community Hope Foundation ("BCHF") on July 21, 2005, and expired June 30, 2009. The sponsorship contract was renewed for fiscal year 2012 but was not renewed for fiscal year 2013. North Central Ohio Educational Service Center (NCOESC) contracted with the School on March 1, 2012 to provide sponsorship for fiscal year 2013. The Governing Board of the School operates under a Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, State- mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board of Directors controls the School's instructional/support facility staffed by 1 non-certified and 1 certified full-time teaching personnel who provide services to 62 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements 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 maintain its financial records during the fiscal years. Enterprise accounting focuses on the determination of operating income, changes in net position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the School are included on the statement of net position.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

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

The statement of revenues, expenses and changes in net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. 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 budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School’s contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year. Furthermore, the School must submit a five-year forecast to its Sponsor and the Ohio Department of Education, annually.

D. Cash and Cash Equivalents

All cash received by the School is deposited in accounts in the School’s name. The School did not have any investments during fiscal year 2013.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$750 for computers and \$1,000 for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. 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, improvements, however, are capitalized. Furniture and equipment are depreciated using the straight-line method over the assets’ estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related capital assets.

The following is the estimated useful lives for property, vehicles, furniture and equipment:

<u>Asset</u>	<u>Useful Life</u>
Computers, Furniture and Equipment	5 Years

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

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

F. Intergovernmental Revenues

The School currently participates in the State Foundation and State Disadvantaged Pupil Impact Aid programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2013 school year totaled \$537,243.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

H. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

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.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used. The School has no prepaid items as of June 30, 2013.

NOTE 3 - CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2013, the book amount of the School's deposits was \$25,152 and the bank balance was \$25,516. The entire bank balance was insured by FDIC.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2013, none of the bank balance was exposed to custodial credit risk.

NOTE 4 - CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2013 follows:

	Balance <u>6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/13</u>
Capital assets, being depreciated:				
Equipment	\$ 133,644	\$ -	\$ -	\$ 133,644
Less: accumulated depreciation	<u>(121,144)</u>	<u>(10,947)</u>	<u>-</u>	<u>(132,091)</u>
Capital assets, net	<u>\$ 12,500</u>	<u>\$ (10,947)</u>	<u>\$ -</u>	<u>\$ 1,553</u>

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 5 - INTERGOVERNMENTAL RECEIVABLE/PAYABLE

At June 30, 2013, The School had intergovernmental receivables in the amount of \$8,817. Intergovernmental receivables consist of federal assistance (CCIP) which eligibility requirements have been met (earned) at June 30, 2013, but the cash was not received by year end. The school also had \$91,294 in intergovernmental payables related to unpaid retirement contributions and payments to North Central Ohio Educational Service Center for purchased services and sponsor fees.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consists of obligations totaling \$24,371 at June 30, 2013, incurred during the normal course of conducting operations.

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2013, the School contracted with the Indiana Insurance Company and had the following insurance coverage:

<u>Coverage</u>	<u>Limits of Coverage</u>
Commercial General Liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Damage to rented premises	300,000
Medical expense	15,000
Personal injury	1,000,000
Business	
Automobile:	
Combined single limit	1,000,000
Business Personal	
Property:	
985 Mediterranean - \$250 deductible	25,000
997 Mediterranean - \$250 deductible	20,000
Umbrella	
Liability	
Each occurrence/aggregate	1,000,000
Retained limit	10,000

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 7 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage.

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2013.

C. Employee Medical Benefits

The School has contracted through an independent agent to provide employee medical insurance to its full time employees. The School pays a portion of the monthly premiums for all selected coverage (medical).

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$3,691, \$11,556 and \$8,160, respectively; 77.49 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under s"Publications".

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 8 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$10,687, \$38,431 and \$26,166, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$188 made by the School and \$135 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$45, \$6,364 and \$1,410, respectively; 77.49 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$209, \$97 and \$485, respectively; 77.49 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$822, \$2,956 and \$2,013, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

NOTE 10 - PURCHASED SERVICES

For the period July 1, 2012 through June 30, 2013, purchased service expenses were for the following services:

Professional Services	\$	451,213		
Property Services		54,461		
Travel and Professional Development		1,956		
Communications		16,933		
Utilities		8,230		
Trade Services		30,398		
Transportation		<u>1,590</u>		
Total		<u><u>564,781</u></u>		

NOTE 11 - TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 12 - OPERATING LEASES

The School entered into a School facility operating lease through September 14, 2006, with Rainbow Development Corporation, with an option to renew for four successive additional period of twelve months each. This lease was renewed on an annual basis starting September 15, 2011, through September 14, 2012, and renewed for an additional one year through 2013. Payments for operating leases totaled \$44,000 for the fiscal year ended June 30, 2013 and \$8,800 was included as a liability for unpaid rent.

NOTE 13 - SPONSOR

The School is sponsored by the North Central Ohio Educational Service Center. The School has a contract with the Sponsor to pay three percent of the monthly State Foundation support to the Sponsor for sponsorship, which includes oversight and monitoring. The School paid \$12,794 in Sponsor Fees and reported a liability of \$2,777 as part of intergovernmental payables for unpaid sponsor fees.

NOTE 14 – SERVICE AGREEMENT

The School entered into a service agreement as part of its Sponsorship contract with North Central Ohio Educational Service Center (the “Sponsor”) to provide fiscal services and personnel to the School. The school personnel covered in this agreement include, directors, teachers, educational aides, clerical support, social workers/counselors and any other necessary staff, excluding the Superintendent and Business Manager. These expenses are invoiced on a monthly basis. The fiscal services include budgetary, payroll, accounts receivable and accounts payable. As part of this agreement, the School shall compensate the Sponsor \$1,600 per month for fiscal services. The Sponsor will also provide the optional services of data management and technology, billable as incurred.

NOTE 15- 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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community 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. As a result of this review, the adjustment for fiscal year 2013 for the School is a liability of \$62,539.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

NOTE 16 - MANAGEMENT AGREEMENT

The School contracts with MJ Ashley Realty LLC to serve as the School's management company. MJ Ashley Realty LLC agrees to provide such requisite management, educational, financial, and other consulting services for a variety of services, including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial reporting, compliance issues, budgets, contracts, and equipment and facilities.

Per the management agreement with the School, MJ Ashley Realty LLC is entitled to up to \$140,000 fixed fee per year plus 15% of all gross revenues received as per-pupil allotment from the State of Ohio. The management fee paid for fiscal year 2013 totaled \$135,823. MJ Ashley Realty LLC is owned by Martin J. Ashley, Superintendent of the School and Marilyn J. Ashley.

NOTE 17 - RELATED PARTY TRANSACTIONS

The School contracts with MJ Ashley Realty LLC, which is owned by Martin Ashley, Superintendent of the School. MJ Ashley Realty received a total of \$135,823 during fiscal year 2013. This amount consisted of \$135,823 in management fees paid to Martin and Jeanie Ashley. These amounts are reflected in the purchased services line item on the statement of revenues, expenses and changes in net position.

NOTE 18- SIGNIFICANT SUBSEQUENT EVENT

On December 6, 2013, operations of the school were suspended by the Sponsor because of a fiscal deficit. On September 30, 2014 the School was closed by the Sponsor. The School has followed most of the closing procedures prescribed by the Ohio Department of Education (ODE). These procedures included official notification to ODE, the students and the community of the School's decision to close and preparation of financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK



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

North Central Ohio Educational Service Center
Pschtecinc Public School
Franklin County
333 East Center Street
Marion, Ohio 43302

To the Sponsor:

We were engaged to audit the financial statements of Pschtecinc Public School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2016, wherein we noted the School ceased operation. In addition, our report disclaims an opinion on such financial statements because management did not provide the Auditor of State with certain representation as required by Auditing Standard Section AU-C Section 580, *Written Representations*. In addition the School was suspended on December 6, 2013 and officially closed on September 30, 2014.

Internal Control Over Financial Reporting

As part of our engagement to audit the financial statements, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2013-001 to be a material weakness.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275
www.ohioauditor.gov

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.



Dave Yost
Auditor of State
Columbus, Ohio

September 30, 2016

**PSCHECIN PUBLIC SCHOOL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

FINDING NUMBER 2013-001

Material Weakness

Government Auditing Standards (Yellow Book) Sections 2.08 and 4.01 state GAGAS incorporates by reference the AICPA standards for financial audits.

AICPA *Professional Standards*, AU-C 580, *Written Representations*, requires, in part, management and, when appropriate, those charged with governance to provide written representation for all financial statements and periods referred to in the auditor's report.

AU-C 580.07 defines a written representation letter as a written statement by management provided to the auditor to confirm certain matters or to support other audit evidence.

AU-C 590.25 states the auditor should disclaim an opinion on the financial statements in accordance with AU-C 705, *Modifications to the Opinion in the Independent Auditor's Report*, if management does not provide the written representations.

At the end of the engagement the Board of Directors and Treasurer were not available to provide written representations, resulting in a disclaimed financial statement opinion.

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Mr. Terry Conley, Deputy Superintendent
North Central Ohio Educational Service Center
Marion County
333 East Center Street
Marion, Ohio 43302

To the Sponsor:

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 the Pschtecinc Public 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.

We noted the School amended its anti-harassment policy at its meeting on February 11, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 Sponsor 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

September 30, 2016

This page intentionally left blank.



Dave Yost • Auditor of State

PSCHTECIN PUBLIC SCHOOL

FRANKLIN 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 14, 2017**