



**Auditor of State  
Betty Montgomery**



**SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	9
Statement of Revenues, Expenses and Changes In Net Assets .....	10
Statement of Cash Flows .....	11
Notes to the Basic Financial Statements.....	13
Schedule of Federal Awards Receipts and Expenditures.....	25
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	29
Schedule of Findings - <i>OMB Circular A-133 §.505</i> .....	31

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sciotoville Community School, Scioto County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 19, 2005

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

The discussion and analysis of the Sciotoville Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- In total, net assets increased \$166,175, which represents a 5.4 percent increase from 2003. This increase was due to an increase in students and a related increase in state foundation monies. There was also an increase in some of the federal grant awards and there was a grant for emergency roof repair.
- Total assets increased \$186,612, which represents a 5.6 percent increase from 2003. This was primarily due to increases in capital assets and cash.
- Liabilities increased \$20,437, which represents an 8.2 percent increase from 2003. Accrued wages and benefits increased by \$14,260, while intergovernmental payables related to accrued pension benefits decreased by \$11,166. Accounts payable and undistributed monies increased by \$13,445. The increase in payables was primarily due to purchases of textbooks, maintenance repairs to the locker room, and charter school membership fees.

**Using this Financial Report**

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2004?" These statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and liabilities are reported, both short and long term. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2004 and fiscal year 2003:

(Table 1)  
**Net Assets**

	2004	2003 (Restated)
<b>Assets</b>		
Current Assets	\$945,877	\$911,620
Land	70,582	65,182
Depreciable Capital Assets, Net	2,476,131	2,329,176
Total Assets	3,492,590	3,305,978
 <b>Liabilities</b>		
Current Liabilities	266,738	248,682
Non-Current Liabilities	2,975	594
Total Liabilities	269,713	249,276
 <b>Net Assets</b>		
Invested in Capital Assets	2,546,713	2,394,358
Unrestricted	676,164	662,344
Total Net Assets	\$3,222,877	\$3,056,702

Total assets increased \$186,612. This increase was primarily due to an increase in capital assets. Equity in pooled cash and cash equivalents increased by \$25,702 from 2003. This was due to an increase in liabilities at year-end. The cash had not yet been used to pay the liabilities. Capital Assets, net of depreciation, increased by \$152,355.



**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)  
**Change in Net Assets**

	2004	2003 (Restated)
Operating Revenues:		
Charges for Services and Sales	\$121,331	\$118,608
Foundation Payments	1,935,109	1,892,137
Disadvantaged Pupil Impact Aid	23,860	31,476
Other Revenues	4,544	2,594
Non-Operating Revenues:		
Other Federal and State Grants	372,703	469,055
Interest	6,303	5,364
Other Non-Operating Revenues	12,552	20,239
Capital Contributions	185,747	0
Total Revenues	2,662,149	2,539,473
Operating Expenses		
Salaries	1,339,865	1,236,290
Fringe Benefits	546,331	553,321
Purchased Services	189,453	142,264
Materials and Supplies	210,206	184,698
Cost of Sales	41,010	40,315
Depreciation	97,633	78,992
Other Expenses	71,476	77,070
Loss on Sale of Capital Assets	0	4,050
Total Expenses	2,495,974	2,317,000
Increase in Net Assets	\$166,175	\$222,473

Although net assets increased from 2003 to 2004, the amount of the change in net assets decreased \$56,298 compared to fiscal year 2003. This was because the increase in expenses from 2003 to 2004 was greater than the increase in revenues. The increase in revenues was \$122,676 while the increase in expenses was \$178,974. Of the increase in revenues, the foundation payments increased by \$42,972 and receipts from grants increased by \$89,395. Community Schools receive no support from tax revenues.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

The expense for salaries increased by \$103,575 from 2003 due to an increase in staff during fiscal year 2004. Purchased Services expense increased by \$47,189 from 2003. This was primarily due to an increase in professional training for teachers, increased costs for internet service, and some maintenance costs for the School building. Material and supplies expense increased by \$25,508 from 2003 due to textbook purchases.

**Capital Assets**

At the end of fiscal year 2004 the School had \$2,546,713, invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represented an increase of \$152,355 from 2003. The majority of the increase consisted of the roof renovation, the purchase of a house and land, and computer equipment. Table 3 shows fiscal year 2004 and fiscal year 2003:

(Table 3)  
**Capital Assets at June 30, 2004**  
**(Net of Depreciation)**

	2004	2003 (Restated)
Land	\$70,582	\$65,182
Land Improvements	1,195	1,283
Buildings and Improvements	2,205,004	2,056,301
Furniture, Fixtures and Equipment	258,507	258,117
Vehicles	11,425	13,475
Totals	\$2,546,713	\$2,394,358

For more information on capital assets see Note 6 to the basic financial statements.

**Current Financial Issues**

During the 2003-2004 school year, there were 343 students enrolled in the School. The School receives its finances mostly from State aide. Per pupil aide for fiscal year 2004 amounted to \$5,058 per student.

During the 2004 fiscal year, the School received a Federal Roof Repair Grant of \$185,747 to do a major roof repair and install new doors at the School. There were also major renovations done to the inside of the building in the gymnasium to brighten the environment for the students.

The School participates in the Federal Educational Program and received in excess of \$255,000 which was used to prepare our students to meet the guidelines of the "No Child Left Behind Act."

In October 2004, the School purchased two modular units at a cost of approximately \$20,000 to be used for additional classrooms to reduce classroom sizes.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

At the present time, the School is financially sound and is able to meet all of its financial obligations and the School began the 2005 fiscal year with a very good financial base.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact, Ron Blevins, Treasurer at Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at [rblevins\\_ec@scoca-k12.org](mailto:rblevins_ec@scoca-k12.org).

**This page intentionally left blank.**

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Net Assets

June 30, 2004

**Assets**

**Current Assets:**

Equity in Pooled Cash and Cash Equivalents	\$816,094
Intergovernmental Receivables	112,177
Inventory Held for Resale	4,873
Materials and Supplies Inventory	10,978
Prepaid Items	1,755
Total Current Assets	<u>945,877</u>

**Non-Current Assets:**

Capital Assets:

Land	70,582
Depreciable Capital Assets, Net	<u>2,476,131</u>
Total Non-Current Assets	<u>2,546,713</u>

*Total Assets* 3,492,590

**Liabilities**

**Current Liabilities:**

Accounts Payable	16,725
Accrued Wages and Benefits	173,780
Intergovernmental Payable	70,889
Compensated Absences Payable	4,245
Undistributed Monies	1,099
Total Current Liabilities	<u>266,738</u>

**Non-Current Liabilities:**

Compensated Absences Payable	<u>2,975</u>
------------------------------	--------------

*Total Liabilities* 269,713

**Net Assets**

Invested in Capital Assets	2,546,713
Unrestricted	<u>676,164</u>

*Total Net Assets* \$3,222,877

See accompanying notes to the basic financial statements

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Revenues, Expenses and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2004

<b>Operating Revenues</b>	
Extracurricular and Lunchroom Sales	\$121,331
Foundation Payments	1,935,109
Disadvantaged Pupil Impact Aid	23,860
Other Revenues	<u>4,544</u>
<i>Total Operating Revenues</i>	<u>2,084,844</u>
<b>Operating Expenses</b>	
Salaries	1,339,865
Fringe Benefits	546,331
Purchased Services	189,453
Materials and Supplies	210,206
Cost of Sales	41,010
Depreciation	97,633
Other Expenses	<u>71,476</u>
<i>Total Operating Expenses</i>	<u>2,495,974</u>
<i>Operating Loss</i>	<u>(411,130)</u>
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	4,591
Federal and State Meals Subsidies	57,097
Other Federal and State Grants	311,015
Interest	6,303
Other	<u>12,552</u>
<i>Total Non-Operating Revenues</i>	<u>391,558</u>
<i>Income Before Contributions</i>	(19,572)
Capital Contributions	<u>185,747</u>
<i>Change in Net Assets</i>	166,175
<i>Net Assets Beginning of Year (Restated - See Note 12)</i>	<u>3,056,702</u>
<i>Net Assets End of Year</i>	<u><u>\$3,222,877</u></u>

See accompanying notes to the basic financial statements

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2004

***Increase (Decrease) in Cash and Cash Equivalents:***

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$129,636
Cash Received from Others	4,544
Cash Received from Foundation Payments	1,935,109
Cash Received from Disadvantaged Pupil Impact Aid	19,288
Cash Payments to Suppliers for Goods and Services	(444,557)
Cash Payments to Employees for Services	(1,323,310)
Cash Payments for Employee Benefits	(557,394)
Cash Payments to Others	<u>(63,890)</u>
Net Cash Used for Operating Activities	<u>(300,574)</u>

**Cash Flows from Noncapital Financing Activities:**

Other Non-Operating Revenues	12,552
Federal and State Subsidies Received	52,753
Operating Grants Received	<u>318,909</u>
Net Cash Provided by Noncapital Financing Activities	<u>384,214</u>

**Cash Flows from Capital and Related Financing Activities:**

Capital Contributions	185,747
Payments for Capital Acquisitions	<u>(249,988)</u>
Net Cash Used for Noncapital Financing Activities	(64,241)

**Cash Flows from Investing Activities:**

Interest	<u>6,303</u>
Net Increase in Cash and Cash Equivalents	25,702
Cash and Cash Equivalents at Beginning of Year	<u>790,392</u>
Cash and Cash Equivalents at End of Year	<u>\$816,094</u>

(continued)

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2004

(continued)

***Reconciliation of Operating Loss to Net***

**Cash Used for Operating Activities:**

Operating Loss (\$411,130)

***Adjustments to Reconcile Operating***

**Loss to Net Cash Used for Operating Activities:**

Depreciation 97,633  
Donated Commodities Received During Year 4,591

**Changes in Assets and Liabilities:**

Increase in DPIA Receivable (4,572)  
Decrease in Prepaid Items 2,810  
Increase in Inventory Held for Resale (1,849)  
Increase in Materials and Supplies Inventory (8,494)  
Increase in Accounts Payable 16,523  
Increase in Accrued Wages and Benefits 14,260  
Decrease in Intergovernmental Payable (11,166)  
Increase in Compensated Absences 3,898  
Decrease in Undistributed Monies (3,078)

Total Adjustments 110,556

Net Cash Used for Operating Activities (\$300,574)

**Non-Cash Transactions:**

During fiscal year 2004, the Enterprise Fund received \$4,591 in donated commodities.

See accompanying notes to the basic financial statements



**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

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

Sciotoville Community School of Sciotoville, Inc., Scioto County (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Sciotoville Community School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2001. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a seven-member 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 qualifications of teachers. The Board of Directors controls the School's one instructional/support facility staffed by 14 non-certified and 29 certificated full-time teaching personnel who provide services to 343 students.

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

The financial statements of the Sciotoville Community School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise fund, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements issued after November 30, 1989 to its enterprise fund. The more significant of the School's accounting policies are described below.

**A. Basis Of Presentation**

The School's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

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

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus**

The accounting and financial reporting treatment of the School's financial transactions is determined by the School's measurement focus. 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 assets. The statement of changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made.

The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

**E. Cash and Cash Equivalents**

The School's fiscal officer accounts for all monies received by the School. To improve cash management, all cash received from the State of Ohio is electronically transferred into the main checking account.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**G. Inventory**

Inventory is stated at cost. Cost is determined on a first-in, first-out basis. Inventories consist of donated and purchased food held for resale, as well as supplies, all of which are expensed when used.

**H. Capital Assets**

Capital assets 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 values as of the date received. The School maintains a capitalization threshold of one thousand dollars. The capitalization threshold for computers is five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	15 - 20 years
Buildings and Improvements	1 - 50 years
Furniture, Fixtures and Equipment	10 - 20 years
Vehicles	3 - 10 years

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2004

---

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

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for employees with at least five years of current service for all positions (including certified and non-certified staff). Since the School has not been in operation for five years, there is no sick leave benefits liability.

**J. Net Assets**

Net assets represent the difference between assets and liabilities. Invested in capital assets consists of capital assets, net of accumulated depreciation.

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are operating grants and sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**L. Contributions of Capital**

Contributions of capital arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**M. Estimates**

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

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the School implemented *GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”*. Statement No. 39 further defines the guidelines of *GASB Statement No. 14, “The Financial Reporting Entity”*. The implementation of this new Statement had no effect on the School’s financial statements for fiscal year 2004.

**NOTE 4 - DEPOSITS**

At fiscal year-end, the carrying amount of the School’s deposits was \$816,094, and the bank balance was \$836,241. Of the bank balance, \$100,000 was covered by federal depository insurance and \$736,241 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution’s trust department in the School’s name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School had no investments at June 30, 2004, or during the fiscal year.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2004, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Grants to Local Educational Agencies (Title I)	\$21,741
Improving Teacher Quality State Grants (Title II-A)	13,204
Education Technology State Grants (Title II-D)	1,419
Safe and Drug Free Schools and Communities_State Grants (Title IV)	1,676
State Grants for Innovative Programs (Title V)	2,838
Special Education_Grants to States (Title VI-B IDEA-B)	5,046
Special Education_Grants to States (Bridging the GAP)	1,955
Disadvantaged Pupil Impact Aid	4,572
National School Lunch (Federal Lunch Program)	4,344
School Renovations Grants (Emergency Roof Repair)	<u>55,382</u>
Total All Intergovernmental Receivables	<u>\$112,177</u>

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2004

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Deletions	Balance 6/30/04
<b>Business-Type Activity</b>				
Capital Assets Not Being Depreciated				
Land	\$65,182	\$5,400	\$0	\$70,582
Capital Assets Being Depreciated				
Land Improvements	1,327	0	0	1,327
Buildings and Improvements	2,117,969	192,992	0	2,310,961
Furniture, Fixtures and Equipment	307,101	51,596	0	358,697
Vehicles	14,500	0	0	14,500
Total Capital Assets				
Being Depreciated	2,440,897	244,588	0	2,685,485
Less Accumulated Depreciation:				
Land Improvements	(44)	(88)	0	(132)
Buildings and Improvements	(61,668)	(44,289)	0	(105,957)
Furniture, Fixtures and Equipment	(48,984)	(51,206)	0	(100,190)
Vehicles	(1,025)	(2,050)	0	(3,075)
Total Accumulated Depreciation	(111,721)	(97,633)	0	(209,354)
Total Capital Assets				
Being Depreciated, Net	2,329,176	146,955	0	2,476,131
Business-Type Activity				
Capital Assets, Net	\$2,394,358	\$152,355	\$0	\$2,546,713

\$2,024,386 of the buildings and \$65,182 of the land are capital contributions received in June 2002. \$185,747 of the buildings is a result of capital contributions received in the current year in the form of grants through the Federal Emergency Repair Program – School Renovation Grants.

**NOTE 7 - RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School contracted with Sherman Kricker Insurance Company for general liability and property insurance and Tudor Insurance Company for educational errors and omissions insurance.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2004

---

**NOTE 7 - RISK MANAGEMENT (Continued)**

Coverages are as follows:

Building and Contents (\$500 deductible)	\$3,708,000
Boiler and Machinery	No Limit
Business Personal Property (\$500 deductible)	\$100,000
Educational Errors and Omissions (\$5,000 each loss)	\$1,000,000
General Liability:	
Per occurrence	\$1,000,000
Total per year	\$1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

**B. Workers' Compensation**

The School pays the State Workers' 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.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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 or by calling (614) 222-5853.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$27,441, \$33,217, and \$9,334, respectively; 42.84 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$15,685 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System of Ohio**

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.



**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2004, 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. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. 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 for the fiscal years ended June 30, 2004, 2003, and 2002 were \$126,817, \$140,800, and \$92,967, respectively; 76.86 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$4,583 made by the School and \$5,756 made by the plan members.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participate in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$9,755 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2004

---

**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of 0.92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$19,241.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from policies and procedures approved by the Board of Directors. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment. The School Superintendent earns twenty-five days of vacation per year and is the only administrative employee who is eligible to earn vacation. Teachers do not earn vacation.

Teachers, administrators, and non-certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to a maximum of thirty days for those employees with at least five full years of service and up to a maximum of forty days for those employees with ten or more years of service.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2004

---

**NOTE 10 - EMPLOYEE BENEFITS (Continued)**

**B. Insurance Benefits**

The School provides life, dental and medical/surgical benefits to most employees through Medical Mutual of Ohio. The School also provides vision benefits to most employees through Vision Service Plan.

**C. Deferred Compensation**

School employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 11 – LONG-TERM OBLIGATIONS**

The changes in the School’s long-term obligations during the fiscal year 2004 were as follows:

<u>Long-Term Obligations</u>	<u>Principal Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/04</u>	<u>Amounts Due in One Year</u>
Compensated Absences	\$3,322	\$9,183	\$5,285	\$7,220	\$4,245

**NOTE 12 – RESTATEMENT OF PRIOR YEAR NET ASSETS**

During fiscal year 2004, errors were discovered that related to the overstatement of capital assets in prior years. These errors resulted in the following restatement of net assets:

Net Assets, June 30, 2003	<u>\$4,368,436</u>
Restatement of Capital Assets, Net of Depreciation	<u>(1,311,734)</u>
Net Assets, June 30, 2003, As Restated	<u><u>\$3,056,702</u></u>

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2004

---

**NOTE 13 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2004.

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data of the State, upon which State foundation funding is calculated. The results of this review could result in State funding being adjusted. The School does not anticipate any adjustments to state funding for fiscal year 2004 as a result of such a review.

**C. Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State Constitution and State laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. The effect of this suit, if any, on the Sciotoville Community School is not presently determinable.

**SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR JUNE 30, 2004**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$	\$ 14,096	\$	\$ 14,096
School Breakfast Program	05PU-03/04	10.553	5,955	0	5,955	0
National School Lunch Program	LLP4-03/04	10.555	43,965	0	43,965	0
Total United States Department of Agriculture - Nutrition Cluster			49,920	14,096	49,920	14,096
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1 2003 C1S1 2004	84.010	57,099 195,163	0 0	48,840 181,512	0 0
Total Title I Grants to Local Educational Agencies			252,262	0	230,352	0
Special Education - Grants to States	6BSD 2004P 6BSF 2003P 6BSF 2003 6BSF 2004	84.027	4,415 3,124 0 41,700	0 0 0 0	1,293 753 7,229 39,286	0 0 0 0
Total Special Education - Grants to States			49,239	0	48,561	0
Safe and Drug Free Schools and Communities - State Grants	DRS1 2003 DRS1 2004	84.186	87 2,397	0 0	0 1,854	0 0
Total Safe and Drug Free Schools and Communities - State Grants			2,484	0	1,854	0
Charter Schools	CHS1 02/03	84.282A	0	0	22,108	0
State Grants for Innovative Programs	C2S1 2002 C2S1 2004	84.298	(490) 834	0 0	0 2,182	0 0
Total State Grants for Innovative Programs			344	0	2,182	0
Education Technology State Grants	TJS1 2003 TJS1 2004	84.318	(737) 5,875	0 0	0 5,659	0 0
Total Education Technology State Grants			5,138	0	5,659	0
Class Size Reduction	CRS1 2002	84.340	(629)	0	0	0
School Renovations Grants	143644	84.352A	130,365	0	185,748	0
Improving Teacher Quality State Grants	TRS1-2003 TRS1 2004	84.367	(3,444) 24,728	0 0	16 27,715	0 0
Total Improving Teacher Quality State Grants			21,284	0	27,731	0
Total United States Department of Education			460,487	0	524,195	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$510,407</b>	<b>\$14,096</b>	<b>\$574,115</b>	<b>\$14,096</b>

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

**SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – TRANSFERS**

The Class Size Reduction Grant (CFDA # 84.340) was eliminated in fiscal year 2004 and the funds remaining in this grant were transferred to the Improving Teacher Quality Grant – Title II-A (CFDA # 84.367). The amount of the transfer was \$629. This was shown on the federal schedule as a negative receipt for the Class Size Reduction Grant and was included as a receipt in the Improving Teacher Quality Grant – Title II-A.

There were also transfers between cost centers (based on project year) due to the Ohio Department of Education's administrative action during fiscal year 2004. These transfers are reported on the Schedule of Federal Awards and Expenditures as negative receipts in the cost center they were transferred from and a positive receipt into the new cost center. This resulted in a negative receipt in the Innovative Education Program – Title VI, CFDA # 84.298, the Education Technology State Grants, CFDA # 84.318, and the Improving Teacher Quality State Grant – Title II-A, CFDA # 84.367.

Budget allocation transfers were also done between grants. The Safe and Drug Free Schools and Communities Grant, CFDA #84.186, and Education Technology State Grant, CFDA # 84.318, transferred funds to the Title I Grants to Local Agencies, CFDA # 84.010. The amounts transferred among the funds were \$402.93 and \$940.91, respectively.



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2004, and have issued our report thereon dated April 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated April 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School's management dated April 19, 2005, we reported another matter related to noncompliance we deemed immaterial.

Sciotoville Community School  
Scioto County  
Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 19, 2005





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Sciotoville Community School, Scioto County, Ohio (the School), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2004. The Summary of Auditor's Results Section of the accompanying Schedule of Findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts and grant agreements applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004. In a separate letter to the School's management dated April 19, 2005, we reported another matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 19, 2005

**SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs= Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies- CFDA #84.010 School Renovation Grant – CFDA #84.352A
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY

SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 §.505*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**SCIOTOVILLE COMMUNITY SCHOOL**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 24, 2005**