



Mary Taylor, CPA  
Auditor of State



SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY

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# Mary Taylor, CPA

Auditor of State

## 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 the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sciotoville Community School, Scioto County, Ohio, as of June 30, 2007, and the changes in its financial position and its cash flows 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 March 7, 2008, 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

March 7, 2008

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

The discussion and analysis of the Sciotoville Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. 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.

**Financial Highlights**

- Net assets decreased \$153,373, which represents a 4.2 percent decrease from fiscal year 2006. This decrease was primarily due to increases in salaries and benefits expenses.
- Total assets decreased \$69,532, which represents a 1.8 percent decrease from fiscal year 2006. This was primarily due to decreases in capital assets.
- Total liabilities increased \$83,841, which represents a 26.4 percent increase from fiscal year 2006. Compensated absences increased by \$88,553, primarily because fiscal year 2007 was the first year the School's severance policy required that a liability be recorded for sick leave severance.

**Using this Financial Report**

This report consists of three parts, Management's Discussion and Analysis (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, 2007

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 fiscal year 2007?" 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 fiscal year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2007 and fiscal year 2006:

(Table 1)  
**Net Assets**

|                                 | 2007               | 2006               | Increase<br>(Decrease) |
|---------------------------------|--------------------|--------------------|------------------------|
| <b>Assets:</b>                  |                    |                    |                        |
| Current Assets                  | \$1,138,678        | \$1,151,233        | (\$12,555)             |
| Land                            | 277,182            | 280,292            | (3,110)                |
| Depreciable Capital Assets, Net | 2,468,964          | 2,522,831          | (53,867)               |
| Total Assets                    | <u>3,884,824</u>   | <u>3,954,356</u>   | <u>(69,532)</u>        |
| <b>Liabilities:</b>             |                    |                    |                        |
| Current Liabilities             | 309,300            | 313,815            | (4,515)                |
| Non-Current Liabilities         | 92,090             | 3,734              | 88,356                 |
| Total Liabilities               | <u>401,390</u>     | <u>317,549</u>     | <u>83,841</u>          |
| <b>Net Assets:</b>              |                    |                    |                        |
| Invested in Capital Assets      | 2,746,146          | 2,803,123          | (56,977)               |
| Restricted                      | 126,084            | 132,390            | (6,306)                |
| Unrestricted                    | 611,204            | 701,294            | (90,090)               |
| Total Net Assets                | <u>\$3,483,434</u> | <u>\$3,636,807</u> | <u>(\$153,373)</u>     |

Total assets decreased \$69,532. This decrease was primarily due to a decrease in land and depreciable capital assets of \$56,977. The majority of the decrease was due to the sale of two properties which included land and houses. Net assets decreased \$153,373 primarily due to increases in salaries and benefits expenses related to an increase in teachers and to recording a liability for sick leave severance for the first time in fiscal year 2007.

Table 2 shows the changes in net assets for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses.



**SCIOTOVILLE COMMUNITY SCHOOL**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

(Table 2)

**Change in Net Assets**

|                                     | 2007               | 2006               | Increase<br>(Decrease) |
|-------------------------------------|--------------------|--------------------|------------------------|
| <b>Operating Revenues:</b>          |                    |                    |                        |
| Extracurricular and Lunchroom Sales | \$122,983          | \$136,413          | (\$13,430)             |
| Foundation Payments                 | 2,621,459          | 2,547,079          | 74,380                 |
| Poverty Based Assistance Aid        | 1,143              | 13,431             | (12,288)               |
| Charges for Services                | 4,433              | 1,135              | 3,298                  |
| Other Revenues                      | 5,792              | 3,241              | 2,551                  |
| <b>Non-Operating Revenues:</b>      |                    |                    |                        |
| Federal Donated Commodities         | 22,980             | 22,129             | 851                    |
| Federal and State Meals Subsidies   | 106,132            | 80,739             | 25,393                 |
| Other Federal and State Grants      | 359,001            | 384,919            | (25,918)               |
| Interest                            | 52,118             | 42,839             | 9,279                  |
| Other                               | 9,811              | 10,916             | (1,105)                |
| Total Revenues                      | <u>3,305,852</u>   | <u>3,242,841</u>   | <u>63,011</u>          |
| <b>Operating Expenses:</b>          |                    |                    |                        |
| Salaries                            | 1,785,722          | 1,604,657          | 181,065                |
| Fringe Benefits                     | 892,444            | 698,175            | 194,269                |
| Purchased Services                  | 282,263            | 268,832            | 13,431                 |
| Materials and Supplies              | 226,147            | 207,353            | 18,794                 |
| Cost of Sales                       | 81,952             | 72,303             | 9,649                  |
| Depreciation                        | 120,020            | 116,734            | 3,286                  |
| Other Expenses                      | 57,639             | 121,586            | (63,947)               |
| <b>Non-Operating Expenses:</b>      |                    |                    |                        |
| Loss on Sale of Capital Assets      | <u>13,038</u>      | <u>0</u>           | <u>13,038</u>          |
| Total Expenses                      | <u>3,459,225</u>   | <u>3,089,640</u>   | <u>369,585</u>         |
| Income Before Contributions         | (153,373)          | 153,201            | (306,574)              |
| Capital Contributions               | <u>0</u>           | <u>33,050</u>      | <u>(33,050)</u>        |
| Change in Net Assets                | (153,373)          | 186,251            | (339,624)              |
| Net Assets Beginning of Year        | <u>3,636,807</u>   | <u>3,450,556</u>   | <u>186,251</u>         |
| Net Assets End of Year              | <u>\$3,483,434</u> | <u>\$3,636,807</u> | <u>(\$153,373)</u>     |

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

Net assets decreased by \$153,373 from fiscal year 2006 to fiscal year 2007, with the change in net assets decreasing \$339,624 compared to fiscal year 2006. There was an increase in expenses of \$369,585 but revenues only increased \$63,011 from fiscal year 2006 to fiscal year 2007. The increase in expenses was primarily due to increases in salaries and benefits. Salaries increased by \$181,065 because of an increase in teachers to service additional needs in the special education program. Employee benefits increased by \$194,269 from fiscal year 2006 due to the increase in teachers and because fiscal year 2007 was the first year the School's severance policy required that a liability be recorded for sick leave severance.

**Capital Assets**

At the end of fiscal year 2007 the School had \$2,746,146 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represented a decrease of \$56,977 from fiscal year 2006. The majority of the decrease consisted of the sale of two properties which included land and houses and the recording of current year depreciation on existing assets. Table 3 shows fiscal years 2007 and 2006 balances:

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

|                                   | 2007               | 2006               | Increase<br>(Decrease) |
|-----------------------------------|--------------------|--------------------|------------------------|
| Land                              | \$277,182          | \$280,292          | (\$3,110)              |
| Land Improvements                 | 79,088             | 83,971             | (4,883)                |
| Buildings and Improvements        | 2,113,316          | 2,191,140          | (77,824)               |
| Furniture, Fixtures and Equipment | 271,285            | 240,395            | 30,890                 |
| Vehicles                          | 5,275              | 7,325              | (2,050)                |
| <b>Totals</b>                     | <b>\$2,746,146</b> | <b>\$2,803,123</b> | <b>(\$56,977)</b>      |

For more information on capital assets see Note 5 to the basic financial statements.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizens 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, Business Manager 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).

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Net Assets

June 30, 2007

**Assets:**

**Current Assets:**

|                                  |                  |
|----------------------------------|------------------|
| Cash and Cash Equivalents        | \$1,033,329      |
| Accounts Receivable              | 2,550            |
| Intergovernmental Receivables    | 77,272           |
| Inventory Held for Resale        | 3,832            |
| Materials and Supplies Inventory | 16,382           |
| Prepaid Items                    | 5,313            |
| Total Current Assets             | <u>1,138,678</u> |

**Non-Current Assets:**

|                                 |                  |
|---------------------------------|------------------|
| Capital Assets:                 |                  |
| Land                            | 277,182          |
| Depreciable Capital Assets, Net | 2,468,964        |
| Total Non-Current Assets        | <u>2,746,146</u> |

*Total Assets* 3,884,824

**Liabilities:**

**Current Liabilities:**

|                              |                |
|------------------------------|----------------|
| Accounts Payable             | 949            |
| Accrued Wages and Benefits   | 236,910        |
| Intergovernmental Payable    | 56,947         |
| Compensated Absences Payable | 5,099          |
| Undistributed Monies         | 9,395          |
| Total Current Liabilities    | <u>309,300</u> |

**Non-Current Liabilities:**

|                              |               |
|------------------------------|---------------|
| Compensated Absences Payable | <u>92,090</u> |
|------------------------------|---------------|

*Total Liabilities* 401,390

**Net Assets**

|                               |                |
|-------------------------------|----------------|
| Invested in Capital Assets    | 2,746,146      |
| Restricted for Other Purposes | 126,084        |
| Unrestricted                  | <u>611,204</u> |

*Total Net Assets* \$3,483,434

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, 2007

|  |                           |
|--|---------------------------|
| <b>Operating Revenues:</b>                     |                           |
| Extracurricular and Lunchroom Sales            | \$122,983                 |
| Foundation Payments                            | 2,621,459                 |
| Poverty Based Assistance Aid                   | 1,143                     |
| Charges for Sales and Services                 | 4,433                     |
| Other Revenues                                 | <u>5,792</u>              |
| <i>Total Operating Revenues</i>                | <u>2,755,810</u>          |
| <b>Operating Expenses:</b>                     |                           |
| Salaries                                       | 1,785,722                 |
| Fringe Benefits                                | 892,444                   |
| Purchased Services                             | 282,263                   |
| Materials and Supplies                         | 226,147                   |
| Cost of Sales                                  | 81,952                    |
| Depreciation                                   | 120,020                   |
| Other Expenses                                 | <u>57,639</u>             |
| <i>Total Operating Expenses</i>                | <u>3,446,187</u>          |
| <i>Operating Loss</i>                          | <u>(690,377)</u>          |
| <b>Non-Operating Revenues (Expenses):</b>      |                           |
| Federal Donated Commodities                    | 22,980                    |
| Federal and State Meals Subsidies              | 106,132                   |
| Other Federal and State Grants                 | 359,001                   |
| Interest                                       | 52,118                    |
| Other  | 9,811                     |
| Loss on Sale of Capital Assets                 | <u>(13,038)</u>           |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>537,004</u>            |
| <i>Change in Net Assets</i>                    | (153,373)                 |
| <i>Net Assets at Beginning of Year</i>         | <u>3,636,807</u>          |
| <i>Net Assets at End of Year</i>               | <u><u>\$3,483,434</u></u> |

See accompanying notes to the basic financial statements

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007

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

**Cash Flows from Operating Activities:**

|   |                  |
|---|------------------|
| Cash Received from Customers                      | \$136,616        |
| Cash Received from Others                         | 5,792            |
| Cash Received from Foundation Payments            | 2,621,459        |
| Cash Received from Poverty Based Assistance Aid   | 1,143            |
| Cash Payments to Suppliers for Goods and Services | (571,914)        |
| Cash Payments to Employees for Services           | (1,764,331)      |
| Cash Payments for Employee Benefits               | (787,147)        |
| Cash Payments to Others                           | <u>(111,262)</u> |

*Net Cash Used for Operating Activities* (469,644)

**Cash Flows from Noncapital Financing Activities:**

|                                      |                |
|--------------------------------------|----------------|
| Other Non-Operating Revenues         | 11,811         |
| Federal and State Subsidies Received | 106,132        |
| Operating Grants Received            | <u>354,795</u> |

*Net Cash Provided by Noncapital Financing Activities* 472,738

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

|                                      |                  |
|--------------------------------------|------------------|
| Proceeds from Sale of Capital Assets | 28,000           |
| Payments for Capital Acquisitions    | <u>(104,081)</u> |

*Net Cash Used for Capital and Related Financing Activities* (76,081)

**Cash Flows from Investing Activities:**

|          |               |
|----------|---------------|
| Interest | <u>52,118</u> |
|----------|---------------|

*Net Decrease in Cash and Cash Equivalents* (20,869)

*Cash and Cash Equivalents at Beginning of Year* 1,054,198

*Cash and Cash Equivalents at End of Year* \$1,033,329

(continued)

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007

(continued)

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss (\$690,377)

**Adjustments to Reconcile Operating**

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

Depreciation 120,020

Donated Commodities Received During the Year 22,980

**Changes in Assets and Liabilities:**

Increase in Accounts Receivable (1,650)

Increase in Prepaid Items (3,409)

Decrease in Inventory Held for Resale 1,227

Increase in Materials and Supplies Inventory (2,276)

Decrease in Accounts Payable (1,582)

Increase in Accrued Wages and Benefits 27,874

Decrease in Intergovernmental Payable (32,122)

Increase in Compensated Absences Payable 88,553

Increase in Undistributed Monies 1,118

*Total Adjustments* 220,733

*Net Cash Used for Operating Activities* (\$469,644)

**Non-Cash Transactions:**

During fiscal year 2007, the School received \$22,980 in donated commodities.

During fiscal year 2007, the School traded in an asset with a book value of \$8,629.

See accompanying notes to the basic financial statements

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2007

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

Sciotoville Community School of Sciotoville, Inc. (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 district 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.

On April 24, 2007, the Montgomery County Educational Service Center signed a renewal contract with the School to be the School's Sponsor effective July 1, 2007. The contract will expire on June 30, 2014. 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. Four of the Board members are elected at-large by the citizens of the community for staggered four-year terms, one is a student elected by the student body, one is a faculty member elected by the School faculty, and one is the Director of Operations of the School who is automatically on the Board according to the School Charter. The Board of Directors is responsible for carrying out the provisions of the contract which include, but is 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 39 certificated full-time teaching personnel who provide services to 427 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, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2007

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

**A. Basis Of Presentation**

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

During the fiscal year, the School segregates transactions related to certain School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the School uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**B. Measurement Focus**

The accounting and financial reporting treatment of the School's financial transactions is determined by the School's measurement focus. Enterprise fund 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 Revenues, Expenses and 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 its cash flow needs.

**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 fiscal 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, 2007

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

**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 Business Manager accounts for all monies received by the School. The School maintains an interest bearing depository account and all funds of the School are maintained in this account. This account is presented on the Statement of Net Assets as Cash and Cash Equivalents.

During the year, the School had investments in repurchase agreements. Repurchase agreements are reported at cost.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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 fiscal 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, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal 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 for all capital assets other than computers. 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 capitalized.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2007

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

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:

| <u>Description</u>                | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Land Improvements                 | 15 - 20 years          |
| Buildings and Improvements        | 1 - 50 years           |
| Furniture, Fixtures and Equipment | 3 - 20 years           |
| Vehicles                          | 3 - 10 years           |

**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).

**J. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their 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. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs and federal and State grants restricted to expenditures for specified purposes.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2007

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

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

The Statement of Net Assets reports \$126,084 of restricted net assets, none of which is restricted by enabling legislation.

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the School. These revenues consist of 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. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, Poverty Based Assistance, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements which specify the fiscal 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 amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. 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 review identified an under payment of \$8,458 to the School for fiscal year 2007.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

**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, 2007

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**NOTE 3 - INVESTMENTS**

*Investments:* As of June 30, 2007, the School had the following investments.

|                      | Fair Value | Maturity<br>Date |
|----------------------|------------|------------------|
| Repurchase Agreement | \$974,653  | July 2, 2007     |

*Interest Rate Risk:* The School has no investment policy that addresses interest rate risk.

*Credit Risk:* The underlying securities of the repurchase agreement (Federal Home Loan Gold Certificate and Government National Mortgage Association) are not rated. The School does not have an investment policy that addresses investment credit risk.

*Concentration of Credit Risk:* The School's investment in a repurchase agreement represent 100 percent of the School's total investments.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2007, consisted of accounts receivable and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

|   | Amounts  |
|---|----------|
| Title I Grants to Local Educational Agencies (Title I)        | \$30,971 |
| Improving Teacher Quality Grant (Title II-A)                  | 3,596    |
| Education Technology Grant (Title II-D)                       | 2,190    |
| Safe and Drug Free Schools and Communities Grant (Title IV-A) | 3,335    |
| State Grants for Innovative Programs (Title V)                | 491      |
| Entry Year Program State Grant                                | 3,200    |
| Special Education Grants to States (Part B-IDEA)              | 18,303   |
| National School Lunch and Breakfast Programs                  | 9,986    |
| Core Implementation State Grant                               | 5,200    |
| Total Intergovernmental Receivables                           | \$77,272 |

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2007

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

|                                       | Balance<br>6/30/06 | Additions | Deletions  | Balance<br>6/30/07 |
|---------------------------------------|--------------------|-----------|------------|--------------------|
| Capital Assets Not Being Depreciated: |                    |           |            |                    |
| Land                                  | \$280,292          | \$8,000   | (\$11,110) | \$277,182          |
| Capital Assets Being Depreciated:     |                    |           |            |                    |
| Land Improvements                     | 88,432             | 0         | 0          | 88,432             |
| Buildings and Improvements            | 2,391,711          | 0         | (30,784)   | 2,360,927          |
| Furniture, Fixtures and Equipment     | 458,677            | 104,710   | (9,588)    | 553,799            |
| Vehicles                              | 14,500             | 0         | 0          | 14,500             |
| Total Capital Assets                  |                    |           |            |                    |
| Being Depreciated                     | 2,953,320          | 104,710   | (40,372)   | 3,017,658          |
| Less Accumulated Depreciation:        |                    |           |            |                    |
| Land Improvements                     | (4,461)            | (4,883)   | 0          | (9,344)            |
| Buildings and Improvements            | (200,571)          | (47,896)  | 856        | (247,611)          |
| Furniture, Fixtures and Equipment     | (218,282)          | (65,191)  | 959        | (282,514)          |
| Vehicles                              | (7,175)            | (2,050)   | 0          | (9,225)            |
| Total Accumulated Depreciation        | (430,489)          | (120,020) | 1,815      | (548,694)          |
| Total Capital Assets                  |                    |           |            |                    |
| Being Depreciated, Net                | 2,522,831          | (15,310)  | (38,557)   | 2,468,964          |
| Capital Assets, Net                   | \$2,803,123        | (\$7,310) | (\$49,667) | \$2,746,146        |

**NOTE 6 - 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 2007, the School contracted with Sherman Kricker Insurance Company for general liability and property insurance and Tudor Insurance Company for educational errors and omissions insurance.

Coverage is as follows:

|  |             |
|--|-------------|
| Building and Contents (\$1,000 deductible)           | \$3,708,000 |
| Boiler and Machinery                                 | No Limit    |
| Business Personal Property (\$1,000 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 fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2007

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**NOTE 6 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation**

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor that is calculated by the State.

**NOTE 7 - 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 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, by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

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 2007, 10.68 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, 2007, 2006, and 2005 were \$35,936, \$33,224, and \$30,276, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005.

**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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2007

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**NOTE 7 - DEFINED BENEFIT 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 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.

For the fiscal year ended June 30, 2007, 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 2006, 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 to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$191,174, \$158,918, and \$154,878, respectively; 79.81 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$2,426 made by the School and \$3,071 made by the plan members.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2007

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**NOTE 8 - 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 partial 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated 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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$14,706 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$17,809.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.



**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2007

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**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining sick leave benefits are derived from policies and procedures approved by the Board of Directors. Non-certified employees earn 10 to 20 days of vacation per year, depending upon their length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment up to a maximum payment of 50 days. 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 30 days for those employees with five to 10 years of continuous service and 40 days for those employees with 10 or more years of service and who apply and qualify for retirement under SERS and STRS.

**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 10 - LONG-TERM OBLIGATIONS**

The changes in the School's long-term obligations during fiscal year 2007 were as follows:

|                              | Amount<br>Outstanding | Additions | Deductions | Amount<br>Outstanding | Current<br>Portion |
|------------------------------|-----------------------|-----------|------------|-----------------------|--------------------|
| <u>Long-Term Obligations</u> | <u>6/30/06</u>        |           |            | <u>6/30/07</u>        |                    |
| Compensated Absences         | \$8,636               | \$97,536  | \$8,983    | \$97,189              | \$5,099            |

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2007

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**NOTE 11 - 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, 2007.

**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 to the State, upon which State foundation funding is calculated. The School received \$8,458 in November 2007 from the funding adjustment.

**C. Litigation**

A lawsuit entitled *Beverly-Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:014CV197* was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on Sciotoville Community School cannot presently be determined.

**NOTE 12 - SUBSEQUENT EVENT**

On August 7, 2007, the City of Portsmouth donated Allard Park to the School. The park contains the School's football stadium and is valued at \$224,360.



# Mary Taylor, CPA

Auditor of State

## 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 Directors:

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, 2007, and have issued our report thereon dated March 7, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the School's management in a separate letter dated March 7, 2008.

### **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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Directors, and the Sponsor. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 7, 2008



**Mary Taylor, CPA**  
Auditor of State

**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  
MARCH 25, 2008**