



Dave Yost • Auditor of State



UPPER SCIOTO WIND/ENERGY ACADEMY  
HARDIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Upper Scioto Wind/Energy Academy, Hardin County, (the Academy), as of and for the fiscal period ended June 30, 2010, which comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Upper Scioto Wind/Energy Academy, Hardin County, as of June 30, 2010, and the respective changes in financial position and its cash flows, for the fiscal period then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 12 to the financial statements, the Academy has suffered a loss from operations and has a net asset deficiency that has resulted in the decision by the Sponsor to discontinue operations. These conditions raise substantial doubt about the Academy's ability to continue as a going concern. The financial statements do not include any adjustments as a result of this decision.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

**Dave Yost**  
Auditor of State

April 25, 2011

June 2, 2011 – Note 12

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
UNAUDITED**

The management's discussion and analysis of the Upper Scioto Wind/Energy Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal period ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments". Certain comparative information between the current fiscal period and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal period of financial reporting for the Academy comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- At June 30, 2010, the Academy's liabilities exceeded assets by \$55,540.
- The Academy had operating revenues of \$242,964, operating expenses of \$558,385 and non-operating revenues of \$250,441 for the fiscal period ended June 30, 2010. Total change in net assets for the fiscal period was a decrease of \$64,980, due to contracted services being higher than anticipated.

### **Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

### **Reporting the Academy's Financial Activities**

#### ***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
UNAUDITED**

The table below provides a summary of the Academy's net assets for the fiscal period ended June 30, 2010. This is the Academy's first period of operation, comparative information is not available.

<b>Net Assets</b>	
<b>Assets:</b>	<b>2010</b>
Current assets	\$168,987
Capital assets, net	34,159
Total assets	203,146
<b>Liabilities:</b>	
Current liabilities	258,686
Total liabilities	258,686
<b>Net Assets:</b>	
Invested in capital assets	34,159
Restricted	59,745
Unrestricted (deficit)	(149,444)
Total net assets	(\$ 55,540)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's liabilities exceeded assets by \$55,540.

A portion of the Academy's net assets, \$59,745, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of unrestricted net assets.

At June 30, 2010, capital assets represented 16.82% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

The table below shows the changes in net assets for the fiscal period ended June 30, 2010.

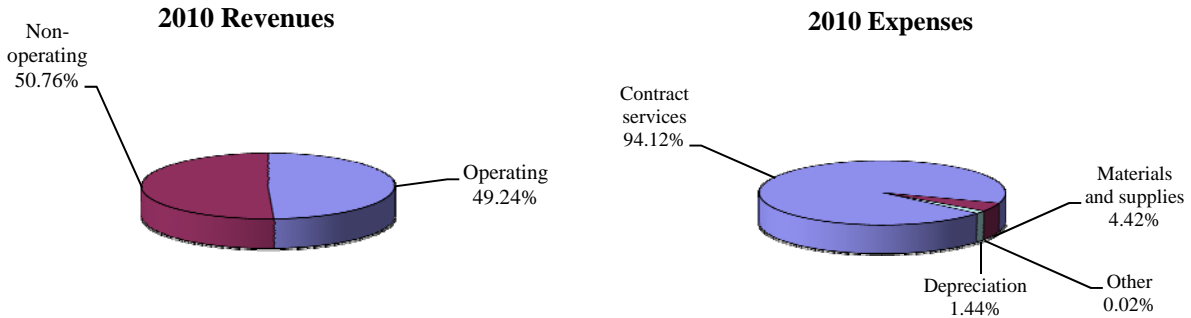
<b>Change in Net Assets</b>	
<b>Operating Revenues:</b>	<b>2010</b>
State foundation	\$ 226,764
Other	16,200
Total operating revenue	242,964
<b>Operating Expenses:</b>	
Contract services	525,568
Materials and supplies	24,682
Depreciation	8,017
Other	118
Total operating expenses	558,385
<b>Non-operating Revenues:</b>	
Federal and state grants	250,441
Total non-operating revenues	250,441
Change in net assets	(64,980)
Net assets at beginning of period	9,440
Net assets (deficit) at end of period	(\$ 55,540)



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
UNAUDITED**

The charts below illustrate the revenues and expenses for the Academy for the fiscal period ended June 30, 2010.



**Capital Assets**

At June 30, 2010, the Academy had \$34,159 invested in furniture and equipment. See Note 5 to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

The Academy is sponsored by the Upper Scioto Valley Local School District. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, on property and on-line learning to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance operations.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Karla Ritchey, Fiscal Officer, Upper Scioto Wind/Energy Academy, P.O. Box 305, McGuffey, Ohio 45859.

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>Assets:</b>	
<b>Current:</b>	
Cash	\$26,510
Receivables:	
Intergovernmental	142,477
Total Current Assets	<u>168,987</u>
<b>Noncurrent:</b>	
Depreciable Capital Assets, Net	34,159
Total Assets	<u>203,146</u>
<b>Liabilities:</b>	
<b>Current:</b>	
Accounts Payable	25,949
Intergovernmental Payable	232,737
Total Liabilities	<u>258,686</u>
<b>Net Assets:</b>	
Invested in Capital Assets	34,159
<b>Restricted for:</b>	
Federally Funded Programs	56,745
State Funded Programs	3,000
Unrestricted (Deficit)	(149,444)
Total Net Assets (Deficit)	<u>(\$55,540)</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010**

**Operating Revenues:**

State Foundation	\$226,764
Other Operating Revenues	16,200
Total Operating Revenues	<u>242,964</u>

**Operating Expenses:**

Purchased Services	525,568
Materials and Supplies	24,682
Depreciation	8,017
Other	118
Total Operating Expenses	<u>558,385</u>

Operating Loss	<u>(315,421)</u>
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**Non-Operating Revenues:**

State and Federal Grants	250,441
Total Non-Operating Revenues	<u>250,441</u>

Change in Net Assets	(64,980)
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Net Assets at Beginning of Period	<u>9,440</u>
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Net Assets (deficit) at End of Period	<u><u>(\$55,540)</u></u>
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*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010**

**Cash Flows from Operating Activities:**

Cash Received from State Foundation	\$243,790
Cash Received from Other Operations	16,200
Cash Payments for Contractual Services	(306,621)
Cash Payments for Materials and Supplies	(1,969)
Cash Payments for Other Expenses	(118)
Net Cash Used in Operating Activities	<u>(48,718)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from State and Federal Grants	<u>107,964</u>
Net Cash Provided by Non-capital Financing Activities	<u>107,964</u>

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

Acquisition of Capital Assets	<u>(42,176)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(42,176)</u>

Net Increase in Cash	17,070
Cash at Beginning of Period	<u>9,440</u>
Cash at End of Period	<u><u>\$26,510</u></u>

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities:**

Operating Loss	(\$315,421)
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**Adjustments:**

Depreciation	8,017
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**Changes in Assets and Liabilities:**

Increase in Accounts Payable	25,949
Increase in Intergovernmental Payable	<u>232,737</u>

Net Cash Used in Operating Activities	<u><u>(\$48,718)</u></u>
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*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE ACADEMY**

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

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

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

The Academy has entered into a service agreement with the Sponsor (see Note 8 for detail).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

**D. Cash**

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

**E. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the period. Donated capital assets are recorded at their fair market value on the date donated. The Academy does not maintain a capitalization threshold. Therefore, all capital assets of the Academy have been capitalized. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to ten years.

**F. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**G. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had no prepayments to report at June 30, 2010.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**I. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

**J. Estimates**

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

**K. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2010. These expenses are reported as accrued liabilities in the accompanying financial statements.

**3. DEPOSITS**

At June 30, 2010, the carrying amount of all Academy deposits was \$26,510. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, all of the Academy's bank balance of \$181,709 was covered by the FDIC.

The Academy had no investments during the fiscal period ended June 30, 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
(Continued)**

**4. RECEIVABLES**

Receivables at June 30, 2010, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<b>Receivables</b>	<b><u>Amount</u></b>
Intergovernmental	
Public Charter Schools Program Grant	<u>\$142,477</u>

**5. CAPITAL ASSETS**

A summary of capital assets at June 30, 2010 follows:

	<b><u>Balance 8/18/09</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Balance 6/30/10</u></b>
Furniture and equipment		\$42,176		\$42,176
Less: accumulated depreciation		(8,017)		(8,017)
Net capital assets	<u>\$0</u>	<u>\$34,159</u>	<u>\$0</u>	<u>\$34,159</u>

**6. PURCHASED SERVICES**

For the fiscal period ended June 30, 2010, purchased services expenses were as follows:

<b><u>Purchased Services</u></b>	<b><u>Amount</u></b>
Instruction	\$ 32,770
Administration	365,711
Pupils	9,700
Legal Fees	11,250
Building Repairs	6,790
Total Purchased Service Payments to Related Party	<u>426,221</u>
Purchased Professional Services to outside Vendors	<u>99,347</u>
Total Purchased Services	<u><u>\$525,568</u></u>

**7. RISK MANAGEMENT**

The Academy 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 the fiscal period ended June 30, 2010, the Academy was covered under the liability and property policies of its Sponsor.

**8. SERVICE AGREEMENT**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
(Continued)**

**8. SERVICE AGREEMENT (Continued)**

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

1. Provide building and "Green Lab" space
2. The Sponsor is charging the lesser of \$11,250 per year through June 30, 2011, for the provision and maintenance of the foregoing facilities, utilities, and associated administrative services or actual expenses.
3. Custodial services including maintenance, snow removal, mowing and trimming

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

**9. RELATED PARTY TRANSACTIONS**

The Academy is a component unit of the Sponsor. The Academy and the Sponsor entered into a five year sponsorship agreement on March 14, 2009, whereby terms of the sponsorship were established. During the fiscal period ended June 30, 2010, no sponsorship fees were charged by the Sponsor. However, as disclosed in Note 6, the Academy did reimburse the Sponsor for direct payroll costs and non-payroll costs.

**10. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010. Management is unaware of any material pending claims that may affect the fiscal 2011 school year.

**B. Litigation**

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

**C. State Foundation 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. As a result of the review after fiscal year end, the Academy owed \$17,026 to the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental payable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2010  
(Continued)**

**11. START-UP PERIOD**

The Academy began operations on August 18, 2009. The Academy received \$9,162 in state foundation revenues and \$278 in federal grants during the start up period of March 14, 2009 through August 18, 2009. Total net assets at the end of the start-up period consisted of \$9,440 in cash.

**12. SUBSEQUENT EVENTS**

The Upper Scioto Valley Local Schools Board of Education sponsors the Upper Scioto Wind/Energy Academy. On May 31, 2011 the Upper Scioto Valley Local School District submitted a letter to the Ohio Department of Education indicating their desire to discontinue operations of the Upper Scioto Wind/Energy Academy as a separate LEA.



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the Upper Scioto Wind/Energy Academy, Hardin County, (the Academy), a component unit of the Upper Scioto Valley Local School District, as of and for the period ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 25, 2011, except for Note 12 which is dated June 2, 2011, wherein we noted that the Sponsor has decided to discontinue operations. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 and 2010-02.

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Upper Scioto Wind/Energy Academy  
Hardin County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 25, 2011.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

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

**Dave Yost**  
Auditor of State

April 25, 2011

June 2, 2011 – Note 12

UPPER SCIOTO WIND/ENERGY ACADEMY  
HARDIN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2010

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

FINDING NUMBER 2010-01

**Noncompliance Citation**

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

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

The Open Meetings Act strictly limits the use of executive sessions because they do not take place in public. Executive sessions may be held for only a few specific purposes and not vote or other decision on the matter(s) discussed may take place during the executive session.

**Ohio Rev. Code Section 121.22(G)(1)** provides that, members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold an executive session and only at a regular or special meeting for the sole purpose of considering the appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or official, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual. If a public body holds an executive session pursuant to division this section, the motion and vote to hold that executive session shall state which one or more of the approved purposes listed in division (G)(1) of this section are the purposes for which the executive session is to be held, but need not include the name of any person to be considered at the meeting.

In the period from July 1, 2009 through June 30, 2010, the Academy's Board of Directors entered into executive session four times with no stated the purpose.

Further, when the Board returned to open session, they failed to vote on any action to be taken on matters discussed in executive session.

The Academy's Board of Directors should review the Ohio Sunshine Laws, Ohio Open Meetings Act and Ohio Rev. Code Section 121.22 to determine the required procedures to follow when utilizing executive sessions. These resources are available at [www.auditor.state.oh.us](http://www.auditor.state.oh.us). The improper use of executive session privileges could result in an injunction being issued, in which case the Board of Directors could be required to correct its actions, and be responsible for paying various court costs, fines, and attorney fees.

**OFFICIALS' RESPONSE:** The Wind Energy Academy will review the Ohio Sunshine Laws, Ohio Open Meeting Acts and Ohio Revised Code Section 121.22 as recommended. The meetings referred to in the audit, were meetings that the Academy Board entered into executive session for, in order to discuss the possible employment and /or appointment or change of position of employees. No action was taken after any of these executive sessions, because more information was felt to be needed in order to make an appropriate decision. Due to error on our part, this information was not stated in our minutes as pointed out in the audit. We, the Board, will be more diligent about reviewing our agendas, minutes and procedures regarding executive sessions.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

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

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

The Academy's fiscal officer was not licensed, did not complete the required continuing education classes and did not execute a bond prior to assuming the duties of fiscal officer of the Academy during fiscal period 2010.

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

**OFFICIALS' RESPONSE:** The fiscal officer of the Wind Energy Academy was originally appointed from USV to fill the position of fiscal officer for the Academy. She did complete the required 16 hours of continuing education courses/workshops. When the Academy first began, Dr. Rolston and Dr. Bowser were under the impression that as long as someone at the Academy was a licensed treasurer, our fiscal officer could work under their guidance. Dr. Bowser was a licensed treasurer and was available to assist if our fiscal officer needed assistance. We, the Board, did not realize of the other required hours of continuing education needed and will make sure that our fiscal officer is in compliance of required standards from this point forward. We will also require our fiscal officer to be bonded as well. The Wind Energy Academy has recently entered into a contract with the Hardin County Educational Service Center to provide support and training to our fiscal officer from their licensed/bonded treasurer. We are now in clearer understanding of the requirements needed of our fiscal officer and will diligently work to make sure we are in compliance.





# Dave Yost • Auditor of State

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

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

To the Board of Directors:

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

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

1. We noted the Board elected to follow the policies of its Sponsor, Upper Scioto Valley Local School District, who adopted an anti-harassment policy on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Dave Yost**  
Auditor of State

April 25, 2011



# Dave Yost • Auditor of State

UPPER SCIOTO WIND-ENERGY ACADEMY

HARDIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 21, 2011