SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY

TABLE OF CONTENTS

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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, 2008, 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 opinions.

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, 2008, 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 12, 2009, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2009

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, 2008. 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 $29,018 which was primarily due to the reimbursement to the Ohio Department of Education (ODE) as a result of a review conducted by the ODE of enrollment data and full-time equivalency (FTE) calculations made by the school.

- Total assets increased $61,021, which was primarily due to increases in capital assets.

- Total liabilities increased $90,039. Intergovernmental payables increased by $44,876 primarily due to the reimbursement of State funding to ODE. Accrued wages increased by $24,646, primarily due to increases in salary rates during fiscal year 2008. Accounts payable increased by $7,689.

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.

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 2008?" 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 2008 and fiscal year 2007:

(Table 1)
Net Assets

	2008	2007	Increase (Decrease)
Assets:			
Current Assets	$1,041,561	$1,138,678	($97,117)
Land	378,902	224,102	154,800
Depreciable Capital Assets, Net	2,525,382	2,522,044	3,338
Total Assets	3,945,845	3,884,824	61,021
Liabilities:			
Current Liabilities	397,419	309,300	88,119
Non-Current Liabilities	94,010	92,090	1,920
Total Liabilities	491,429	401,390	90,039
Net Assets:			
Invested in Capital Assets	2,904,284	2,746,146	158,138
Restricted for Other Purposes	110,904	126,084	(15,180)
Unrestricted	439,228	611,204	(171,976)
Total Net Assets	$3,454,416	$3,483,434	($29,018)

Total assets increased $61,021. This increase was primarily due to an increase in land and depreciable capital assets of $158,138 while cash decreased in the amount of $85,627. The majority of the increase in capital assets was due to the acquisition of the Allard Park property which includes the sports stadium. The decrease in cash was primarily due to a decrease in State grant monies as well as interest due to lower interest rates. Net assets decreased $29,018 primarily due to the reimbursement of State funding to ODE.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2008	2007	Increase (Decrease)
Operating Revenues:			
Extracurricular and Lunchroom Sales	$138,062	$122,983	$15,079
Foundation Payments	2,687,530	2,621,459	66,071
Poverty Based Assistance Aid	0	1,143	(1,143)
Charges for Sales and Services	1,250	4,433	(3,183)
Other Revenues	4,192	5,792	(1,600)
Non-Operating Revenues:			
Federal Donated Commodities	19,915	22,980	(3,065)
Federal and State Meals Subsidies	107,520	106,132	1,388
Other Federal and State Grants	327,541	359,001	(31,460)
Interest	36,117	52,118	(16,001)
Other	5,800	9,811	(4,011)
Gain on Sale of Capital Assets	6,448	0	6,448
Total Revenues	3,334,375	3,305,852	28,523
Operating Expenses:			
Salaries	1,928,945	1,785,722	143,223
Fringe Benefits	818,246	892,444	(74,198)
Purchased Services	297,421	282,263	15,158
Materials and Supplies	218,544	226,147	(7,603)
Cost of Sales	77,111	81,952	(4,841)
Depreciation	116,737	120,020	(3,283)
Other Expenses	96,519	57,639	38,880
Non-Operating Expenses:			
Loss on Sale of Capital Assets	0	13,038	(13,038)
Total Expenses	3,553,523	3,459,225	94,298
Income Before Contributions	(219,148)	(153,373)	(65,775)
Capital Contributions	190,130	0	190,130
Change in Net Assets	(29,018)	(153,373)	124,355
Net Assets at Beginning of Year	3,483,434	3,636,807	(153,373)
Net Assets at End of Year	$3,454,416	$3,483,434	($29,018)

Net assets decreased by $29,018 from fiscal year 2007 to fiscal year 2008, with the change in net assets increasing $124,355 compared to fiscal year 2007. There was an increase in total expenses of $94,298 while total revenues increased $28,523 from fiscal year 2007 to fiscal year 2008. The City of Portsmouth made a contribution to the School in the amount of $190,130 through the donation of the Allard Park property which contains the sports stadium. The increase in expenses was primarily due to increases in salaries and the reimbursement of State funding to ODE. Salaries increased by $143,223 because of an increase in teachers to service additional needs in the special education program and the Title I program. Intergovernmental expenses increased primarily due to the reimbursement of State funding to ODE.

Capital Assets

At the end of fiscal year 2008 the School had $2,904,284 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represented an increase of $158,138 from fiscal year 2007. The majority of the increase consisted of the acquisition of the Allard Park property.

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

Current Issue

In September 2008, the Sciotoville Elementary Academy began operations. The Academy is a separate entity from the Sciotoville Community School but is governed by the same Board of Directors as the School. Therefore, it will be presented as a component unit in the basic financial statements of the School in fiscal year 2009.

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.

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Net Assets

June 30, 2008

Assets:	
Current Assets:	
Cash and Cash Equivalents	$947,702
Intergovernmental Receivables	72,786
Inventory Held for Resale	3,831
Materials and Supplies Inventory	15,646
Prepaid Items	1,596
Total Current Assets	1,041,561
Non-Current Assets:	
Capital Assets:	
Land	378,902
Depreciable Capital Assets, Net	2,525,382
Total Non-Current Assets	2,904,284
Total Assets	3,945,845
Liabilities:	
Current Liabilities:	
Accounts Payable	8,638
Accrued Wages and Benefits Payable	261,556
Intergovernmental Payable	101,823
Compensated Absences Payable	16,652
Undistributed Monies	8,750
Total Current Liabilities	397,419
Non-Current Liabilities:	
Compensated Absences Payable	94,010
Total Liabilities	491,429
Net Assets	
Invested in Capital Assets	2,904,284
Restricted for Other Purposes	110,904
Unrestricted	439,228
Total Net Assets	$3,454,416

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, 2008

Operating Revenues:	
Extracurricular and Lunchroom Sales	$138,062
Foundation Payments	2,687,530
Charges for Sales and Services	1,250
Other Revenues	4,192
Total Operating Revenues	2,831,034
Operating Expenses:	
Salaries	1,928,945
Fringe Benefits	818,246
Purchased Services	297,421
Materials and Supplies	218,544
Cost of Sales	77,111
Depreciation	116,737
Other Expenses	96,519
Total Operating Expenses	3,553,523
Operating Loss	(722,489)
Non-Operating Revenues/Expenses:	
Federal Donated Commodities	19,915
Federal and State Meals Subsidies	107,520
Other Federal and State Grants	327,541
Interest	36,117
Other	5,800
Gain on Sale of Capital Assets	6,448
Total Non-Operating Revenues	503,341
Income Before Contributions	(219,148)
Capital Contributions	190,130
Change in Net Assets	(29,018)
Net Assets at Beginning of Year	3,483,434
Net Assets at End of Year	$3,454,416

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2008

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$141,862
Cash Received from Others	4,192
Cash Received from Foundation Payments	2,687,530
Cash Payments to Suppliers for Goods and Services	(562,022)
Cash Payments to Employees for Services	(1,900,102)
Cash Payments for Employee Benefits	(803,198)
Cash Payments to Others	(56,411)
Net Cash Used for Operating Activities	(488,149)
Cash Flows from Noncapital Financing Activities:	
Other Non-Operating Revenues	5,800
Other Non-Operating Expenses	(645)
Federal and State Subsidies Received	107,520
Operating Grants Received	332,027
Net Cash Provided by Noncapital Financing Activities	444,702
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Sale of Capital Assets	18,000
Payments for Capital Acquisitions	(96,297)
Net Cash Used for Capital and Related Financing Activities	(78,297)
Cash Flows from Investing Activities:	
Interest	36,117
Net Decrease in Cash and Cash Equivalents	(85,627)
Cash and Cash Equivalents at Beginning of Year	1,033,329
Cash and Cash Equivalents at End of Year	$947,702

(continued)

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2008

(continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($722,489)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	116,737
Donated Commodities Received During the Year	19,915
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,550
Decrease in Prepaid Items	3,717
Decrease in Inventory Held for Resale	1
Decrease in Materials and Supplies Inventory	736
Increase in Accounts Payable	7,689
Increase in Accrued Wages and Benefits Payable	24,646
Increase in Intergovernmental Payable	44,876
Increase in Compensated Absences Payable	13,473
Total Adjustments	234,340
Net Cash Used for Operating Activities	($488,149)

Non-Cash Transactions:

During fiscal year 2008, the School received $19,915 in donated commodities.
During fiscal year 2008, the School traded in an asset with a book value of $9,105.
During fiscal year 2008, the School received donated assets with a fair value of $190,130.

See accompanying notes to the basic financial statements

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 five-member Board of Directors. The Board members are elected at-large by the citizens of the community for staggered four-year terms. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's one instructional/support facility staffed by 14 non-certified and 40 certificated full-time teaching personnel who provide services to 396 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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.

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 total net 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.

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". For purposes of the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased by the School are considered to be 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, 2008, 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 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.

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:

Description	Estimated Lives
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.

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 $110,904 of restricted net assets, none of which is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 certain intergovernmental revenues 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.

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.

NOTE 3 - INVESTMENTS

Investments: As of June 30, 2008, the School had the following investments.

	Fair Value	Maturity Date
Repurchase Agreement	$634,088	July 2, 2008

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 Mortgage Association Bond and Federal National Mortgage Association Bond) are rated AAA by Standard & Poors. The School does not have an investment policy that addresses investment credit risk.

NOTE 3 – INVESTMENTS (continued)

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

There are no significant statutory restrictions regarding the investment of funds by the School.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, consist of 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)	$39,042
Improving Teacher Quality Grant (Title II-A)	5,691
Safe and Drug Free Schools and Communities Grant (Title IV-A)	2,889
State Grants for Innovative Programs (Title V)	310
Special Education Grants to States (Part B-IDEA)	24,854
Total Intergovernmental Receivables	$72,786

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital Assets Not Being Depreciated:				
Land	$224,102	$163,440	($8,640)	$378,902
Capital Assets Being Depreciated:				
Land Improvements	114,229	39,996	0	154,225
Buildings and Improvements	2,414,007	11,623	(2,912)	2,422,718
Furniture, Fixtures and Equipment	528,002	71,473	(9,584)	589,891
Vehicles	14,500	9,000	0	23,500
Total Capital Assets Being Depreciated	3,070,738	132,092	(12,496)	3,190,334
Less Accumulated Depreciation:				
Land Improvements	(10,414)	(7,188)	0	(17,602)
Buildings and Improvements	(247,611)	(50,769)	0	(298,380)
Furniture, Fixtures and Equipment	(281,444)	(56,880)	479	(337,845)
Vehicles	(9,225)	(1,900)	0	(11,125)
Total Accumulated Depreciation	(548,694)	(116,737)	479	(664,952)
Total Capital Assets Being Depreciated, Net	2,522,044	15,355	(12,017)	2,525,382
Capital Assets, Net	$2,746,146	$178,795	($20,657)	$2,904,284

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 2008, the School contracted with Sherman Kricker Insurance Company for general liability and property insurance and Cinncinati 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.

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

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $34,154, $33,648, and $30,775 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy – For the fiscal year ended June 30, 2008, 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 2007, 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 STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $200,554, $191,174, and $158,918 respectively; 79.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $3,259 made by the School and $4,062 made by the plan members.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $6,638.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $22,224, $17,809, and $15,490 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $2,461, $2,288, and $2,449 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $15,427, $14,706, and $12,224, respectively; 79.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 9 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation 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 215 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for those employees with five years of continuous service and who apply and qualify for retirement under SERS and STRS Ohio.

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.

NOTE 9 - EMPLOYEE BENEFITS (continued)

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 2008 were as follows:

Long-Term Obligations	Amount Outstanding 6/30/07	Additions	Deductions	Amount Outstanding 6/30/08	Current Portion
Compensated Absences	$97,189	$27,027	$13,554	$110,662	$16,652

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, 2008.

B. Litigation

The School District is not party to any legal proceedings.

C. 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 results of this review for fiscal year 2008 resulted in an adjustment in the amount of $40,108 that will be repaid in fiscal year 2009. This is reflected as a liability on the School's financial statements.

NOTE 12 - SUBSEQUENT EVENT

In September 2008, the Sciotoville Elementary Academy began operations. The Academy is a separate entity from the Sciotoville Community School but is governed by the same Board of Directors as the Community School. Therefore, it will be presented as a component unit in the financial statements of the School in fiscal year 2009.

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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, 2008, and have issued our report thereon dated March 12, 2009. 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 opinion 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 12, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2009

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 26, 2009

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