SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

South Scioto Academy
Franklin County
707 East Jenkins Avenue
Columbus, Ohio 43207

To the Board of Directors:

We have audited the accompanying financial statements of South Scioto Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2008, which collectively 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Scioto Academy, Franklin County, Ohio, as of June 30, 2008, and the respective change in 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 6, 2009, 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.

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, CPA
Auditor of State

March 6, 2009

The management's discussion and analysis of South Scioto Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- Net assets decreased ($25,706), a 46% decrease in net assets from 2007.
- Total assets increased $47,927, a 29% increase from 2007. This was due primarily to additional receivables and an increase in capital assets.
- Liabilities increased $73,633, a 66% increase from 2007. The increase was due mainly to an increase in contracts payable due to the management company.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2008 as compared to 2007.

TABLE 1

Assets	2008	2007	Change
Current Assets:			
Cash and Cash Equivalents	$ 29,281	34,360	$ (5,079)
Accounts Receivable	-	4,384	(4,384)
Intergovernmental Receivables	94,511	52,267	42,244
Prepaid Items	21,876	16,359	5,517
Total Current Assets	145,668	107,370	38,298
Non-Current Assets:			
Capital Assets:			
Depreciable Capital Assets, Net	69,797	60,168	9,629
Total Non-Current Assets	69,797	60,168	9,629
Total Assets	215,465	167,538	47,927
Liabilities			
Current Liabilities:			
Accounts Payable - Trade	27,938	36,775	(8,837)
Accounts Payable - Related	116,629	74,588	42,041
Notes Payable	27,778	-	27,778
Loan from Management Company	13,000	-	13,000
Deferred Revenue	-	349	(349)
Total Current Liabilities	185,345	$ 111,712	73,633
Net Assets			
Invested in Capital Assets, Net of Related Debt	69,797	60,168	9,629
Unrestricted	(90,206)	(43,893)	(46,313)
Restricted For:			
Other Purposes	50,529	39,551	10,978
Total Net Assets	$ 30,120	$ 55,826	$ (25,706)

Total assets for the Academy increased $47,927 due primarily to a large increase in Intergovernmental receivables. Cash decreased by ($5,079). Intergovernmental receivables increased by $42,244 from 2007 due primarily to the timing of receipt of grant funding. Capital assets, net of depreciation, increased $9,629.

TABLE 2

	2008	2007	Change
Operating Revenues			
Foundation Payments	$ 781,945	$ 700,459	$ 81,486
Food Services	386	2,970	(2,584)
Other Revenues	25,000	284	24,716
Total Operating Revenues	807,331	703,713	103,618
Operating Expenses			
Purchased Services	1,023,203	827,955	195,248
Materials and Supplies	93,167	44,176	48,991
Depreciation	19,189	8,657	10,532
Other	44,674	14,628	30,046
Total Operating Expenses	1,180,233	895,416	284,817
Operating Loss	(372,902)	(191,703)	(181,199)
Non-Operating Revenues and Expenses			
Federal Grants	346,231	202,594	143,637
State Grants	7,684	57,000	(49,316)
Interest and Fiscal Charges	(6,719)	(12,065)	5,346
Total Non-Operating Revenues and Expenses	347,196	247,529	99,667
Change in Net Assets	(25,706)	55,826	(81,532)
Net Assets Beginning of Year	55,826	-	55,826
Net Assets End of Year	$ 30,120	$ 55,826	$ (25,706)

Net assets decreased ($25,706). There was an increase in revenue of $197,939 and an increase in expenses of $290,163 from 2007. An increase in the number of pupils as well as increases in State and Federal grants made up the increase in revenue. All operating expenses increased in 2008 across the board due to the increase in students and personnel and the increased grant revenue obtained.

Capital Assets

At the end of fiscal year 2008, the Academy had $69,797 invested in capital assets (net of depreciation).

TABLE 3

	2008
Furniture, fixtures, and equipment	$69,797

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

Current Financial Issues

South Scioto Academy was formed in 2006 under a contract with the Educational Service Center of Franklin County. During the 2007-2008 school year there were 120 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2008 amounted to $781,945.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of South Scioto Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets		
Current Assets:		
Cash and Cash Equivalents	$	29,281
Intergovernmental Receivables		94,511
Prepaid Items		21,876
Total Current Assets		145,668
Non-Current Assets:		
Capital Assets:		
Depreciable Capital Assets, Net		69,797
Total Non-Current Assets		69,797
Total Assets		215,465
Liabilities		
Current Liabilities:		
Accounts Payable - Trade		27,938
Accounts Payable - Related Party		116,629
Notes Payable (Note 12)		27,778
Loan Payable to Management Company		13,000
Total Current Liabilities		185,345
Net Assets		
Invested in Capital Assets		69,797
Unrestricted		(90,206)
Restricted For:		
Other Purposes		50,529
Total Net Assets	$	30,120

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	$ 781,945
Food Services	386
Other Revenues	25,000
Total Operating Revenues	807,331
Operating Expenses	
Purchased Services (Note 10)	1,023,203
Materials and Supplies	93,167
Depreciation	19,189
Other	44,674
Total Operating Expenses	1,180,233
Operating Loss	(372,902)
Non-Operating Revenues and Expenses	
Federal Grants	346,231
State Grants	7,684
Interest and Fiscal Charges	(6,719)
Total Non-Operating Revenues and Expenses	347,196
Change in Net Assets	(25,706)
Net Assets Beginning of Year	55,826
Net Assets End of Year	$ 30,120

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

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 State of Ohio	$ 781,945
Cash Received for Food Services	386
Cash Received from Other Operating Revenues	25,000
Cash Payments for Purchased Services	(992,474)
Cash Payments for General Materials and Supplies	(90,046)
Cash Payments for Other Operating Expenses	(44,674)
Net Cash Used for Operating Activities	(319,863)
Cash Flows from Noncapital Financing Activities:	
Federal and State Restricted Grants	309,543
Proceeds from Notes	250,000
Loan from Management Company	13,000
Principal Payments on Notes Proceeds	(222,222)
Interest Payments	(6,719)
Net Cash Provided by Noncapital Financing Activities	343,602
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(28,818)
Net Cash Used for Capital and Related Financing Activities	(28,818)
Net Decrease in Cash and Cash Equivalents	(5,079)
Cash and Cash Equivalents at Beginning of Year	34,360
Cash and Cash Equivalents at End of Year	$ 29,281
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (372,902)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	19,189
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	4,384
(Increase)/Decrease in Prepaid Items	(5,517)
Increase/(Decrease) in Accounts Payable - Trade	(8,837)
Increase/(Decrease) in Accounts Payable - Related	44,169
Increase/(Decrease) in Deferred Revenue	(349)
Total Adjustments	53,039
Net Cash Used For Operating Activities	$ (319,863)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

South Scioto Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, 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 Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Service Center of Franklin County (the Sponsor) for a period of five years commencing March 15, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Governing Board. The Governing Board 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 Governing Board controls the Academy's instructional/support facility staffed by four non-certified personnel and eight certificated teaching personnel who provide services to 120 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee. (See Note 14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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 Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses, and Change in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

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 statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy'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 Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

Expenses are recognized at the time they are incurred.

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 Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application is also capitalized. The Academy 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets (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:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

G. Estimates

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

H. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $150,000, is held by the lessor, and was originally paid by the Leona Group. Per the lease agreement, the Leona Group receives yearly installments from the escrow holder to recoup the security deposit. The Academy has no liability for this money. (See Note 12)

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or 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.

The statement of net assets reports $50,529 in restricted net assets related to certain unspent federal grant receipts and $69,797 invested in capital assets.

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the Academy has implemented GASB No. 45, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”. The implementation of GASB Statement 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits have been modified to conform to the new reporting requirements. (See Note 9 to the Basic Financial Statements). The implementation of GASB Statement 48 and GASB Statement 50 did not have an effect on the financial statements of the Academy.

4. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy’s deposits consist solely of checking and/or savings accounts at the local bank; therefore, the Academy has not adopted a formal investment policy. The Academy’s cash is subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy’s deposits may not be returned to it. The Academy’s deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy’s deposits. At June 30, 2008, the bank balance of the Academy’s deposits was $51,493. The bank balance was covered by Federal Depository insurance which covers deposits up to $100,000. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

5. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

Title I	$	32,009
Federal Charter School Grant		35,935
Title IV		701
Title IID		1,280
Special Ed Part B		12,633
Innovative Ed Program		218
National School Lunch Program		9,561
Pupil Lunch Money		174
EMIS Subsidy		2,000
Total Intergovernmental Receivables	$	94,511

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	68,825	28,818	-	97,643
Buildings	-	-	-	-
Total Capital Assets Being Depreciated	68,825	28,818	-	97,643
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(8,657)	(19,189)	-	(27,846)
Buildings			-	-
Total Accumulated Depreciation	(8,657)	(19,189)	-	(27,846)
Total Capital Assets Being Depreciated, Net	60,168	9,629	-	69,797

7. RISK MANAGEMENT

A. Property and Liability

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 fiscal year 2008, the Academy contracted with Lexington Insurance Company for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educational Errors and Omissions:	
Per occurrence	$10,000,000
Total per year	10,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	N/A

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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.

For the fiscal year ended June 30, 2008, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy'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, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2008, were $10,872; 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

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 multiplied by a percentage that varies based on years of service, or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the DC Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC Plan and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC Plan or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

8. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2008, were $36,150; 100 percent has been contributed for fiscal year 2008.

9. POSTEMPLOYMENT BENEFITS

School Employee Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

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 $3,246.

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 Academy's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $3,246 and $3,708 respectively. 100 percent has been contributed for fiscal year 2008 and fiscal year 2007.

9. POSTEMPLOYMENT BENEFITS (continued)

School Employee Retirement System (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2008 were $513. 100 percent has been contributed for fiscal year 2008.

State Teachers Retirement System

The Academy 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.

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 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $2,582 and $1,785 respectively. 100 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal year 2007.

10. CONTINGENCIES

A. Grants

The Academy 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. 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, 2008.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education reflected the Academy owed the Ohio Department of Education $1,663.

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

Service	Amount
Salaries	$ 350,317
Fringe Benefits	93,618
Repairs and maintenance	849
Legal	1,196
Advertising	23,690
Educational Service Center of Franklin County	15,639
The Leona Group, LLC.	136,559
Cleaning Services	17,099
Communications	4,357
Other professional services	156,044
Other rentals and leases	29,668
Building lease agreements	194,167
Total Purchased Services	$ 1,023,203

12. OPERATING LEASES

The Academy has entered into a lease for the period July 1, 2006 through June 30, 2011 with TG707, Inc. Payments made totaled $210,000 for the fiscal period. The Academy has the option to extend the lease for one, additional five-year term. The annual Base Rent for the extended term shall be $185,000.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2008.

Fiscal Year Ending June 30,	Facility Lease
2009	225,000
2010	225,000
2011	225,000
Total minimum lease payments	$ 675,000

13. NOTES PAYABLE

Debt Activity during 2008 was as follows:

	Balance at 07/01/07	Additions	Reductions	Balance at 06/30/08
Note Payable-Charter One Bank	$ -	$ 250,000	$ 222,222	$ 27,778

The Academy entered into a loan with Charter One Bank for $250,000 on October 9, 2007. The note was used to pay for general operations of the Academy. The note has a floating interest rate equal to the Prime Rate and has a maturity date of June 9, 2008. Charter One Bank performed automatic debits to collect monthly loan amounts due and did not collect the final amount until July 7, 2008. There were no penalties or late fees.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective June 1, 2006 through June 30, 2011, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. The amount paid to TLG for fiscal period 2008 totaled $136,559. Terms of the contracts require TLG to provide the following:

A. implementation and administration of the Educational Program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona group, LLC. These expenses include rent, salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services.

At June 30, 2008, the Academy had payables to The Leona Group, LLC in the amount of $98,858.

The following is a schedule of payables to The Leona Group, LLC:

	Amount
Management Fee	$ 78,395
Accrued Wages	22,448
Miscellaneous	15,786
Total Expenses	$ 116,629

The Academy received an interest free loan from the Management Company of $13,000 in October of 2007. This loan was to assist the Academy with cash to pay bills. The Academy paid the Management Company back in full during October of 2008.

15. SUBSEQUENT EVENT/MANAGEMENT'S PLAN

A. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizens, N.A. on October 1, 2008 with a maturity date of June 30, 2009. This agreement provided the Academy with $250,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

15. SUBSEQUENT EVENT/MANAGEMENT'S PLAN (continued)

B. MANAGEMENT'S PLAN

Management plans to increase enrollment by 40 students during fiscal year 2009. This had been achieved as of February 28, 2009. Further, there will be continued, strict oversight of expenses and ensuring all revenue sources are used (i.e. spending 100% of grant revenue etc.). There is also a plan to reduce costs and overhead where possible to ensure positive cash flow and positive net assets at the end of fiscal year 2009. At February 28, 2009 the Academy had a fund balance net of the above loan for cash flows of $104,888.

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Mary Taylor, CPA
Auditor of State

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

South Scioto Academy
Franklin County
707 East Jenkins Avenue
Columbus, Ohio 43207

To the Board of Directors:

We have audited the financial statements of South Scioto Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 6, 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 Academy'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 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 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 Academy'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 Academy'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 Academy'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 certain matters that we reported to the Academy's management in a separate letter dated March 6, 2009.

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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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated March 6, 2009.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 6, 2009

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	GAAP Adjustments	No	Partially Corrected: Comment reissued in Management Letter

Mary Taylor, CPA
Auditor of State

SOUTH SCIOTO ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009

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