

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

(AUDITED)

**BASIC
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2011*

BRIAN ADAMS, TREASURER



Dave Yost • Auditor of State

Board of Directors
Pshtecin Public School
985 Mediterranean Avenue
Columbus, Ohio 43229

We have reviewed the *Independent Accountants' Report* of the Pshtecin Public School, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pshtecin Public School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2012

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**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Pschtecinc Public School
985 Mediterranean Avenue
Columbus, Ohio 43229-2541

To the Board of Directors:

We have audited the accompanying financial statements of the Pschtecinc Public School, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Pschtecinc Public School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pschtecinc Public School'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pschtecinc Public School, as of June 30, 2011, and the respective changes in financial position, and its cash flows for the fiscal 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 December 12, 2011 on our consideration of the Pschtecinc Public 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.

Independent Accountants' Report
Pschtecín Public School
Page Two

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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 12, 2011

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The management's discussion and analysis of Pschtecin Public School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets were \$104,904 at June 30, 2011.
- The School had operating revenues of \$511,930 and operating expenses of \$829,368 for fiscal year 2011. The School also received \$346,599 in Federal and State grants during fiscal year 2011. Total change in net assets for the fiscal year was an increase of \$29,161.

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 School'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 School, including all short-term and long-term financial resources and obligations.

Reporting the School'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 ask the question, "How did we do financially during 2011?" 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 School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School 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 School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table below provides a summary of the School's net assets for fiscal years 2011 and 2010.

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets	\$ 119,557	\$ 96,181
Security deposits	2,000	2,000
Capital assets, net	<u>22,492</u>	<u>44,028</u>
Total assets	<u>144,049</u>	<u>142,209</u>
<u>Liabilities</u>		
Current liabilities	<u>39,145</u>	<u>66,466</u>
Total liabilities	<u>39,145</u>	<u>66,466</u>
<u>Net Assets</u>		
Invested in capital assets	22,492	44,028
Restricted	60,428	46,416
Unrestricted (deficit)	<u>21,984</u>	<u>(14,701)</u>
Total net assets	<u>\$ 104,904</u>	<u>\$ 75,743</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School's net assets totaled \$104,904. Current assets, primarily cash and cash equivalents, increased during fiscal year 2011. The decrease in current liabilities is primarily due to unearned revenue for fiscal year 2010 of \$38,939 related to the receipt of American Recovery and Reinvestment Act (ARRA) grant funds.

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation payments attributed to 59.60% of total operating and non-operating revenues during fiscal year 2011. State foundation payments decreased slightly between 2010 and 2011, due to a decrease in enrollment in the School. The increase in Federal and State grant revenue was due to the receipt of additional funding from the following programs: American Recovery and Reinvestment Act (ARRA) grants, Race to the Top, and Education Jobs.

**PSCHECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table below shows the changes in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	<u>2011</u>	<u>2010</u>
<u>Operating Revenues:</u>		
State foundation	\$ 511,670	\$ 546,455
Other	<u>260</u>	<u>-</u>
Total operating revenue	<u>511,930</u>	<u>546,455</u>
<u>Operating Expenses:</u>		
Salaries and wages	265,615	265,979
Fringe benefits	74,833	74,188
Purchased services	417,909	357,945
Materials and supplies	35,661	48,779
Depreciation	23,174	26,306
Other	<u>12,176</u>	<u>14,326</u>
Total operating expenses	<u>829,368</u>	<u>787,523</u>
<u>Non-operating revenues:</u>		
Federal and State grants	<u>346,599</u>	<u>237,050</u>
Total non-operating revenues	<u>346,599</u>	<u>237,050</u>
Change in net assets	29,161	(4,018)
Net assets at beginning of year	<u>75,743</u>	<u>79,761</u>
Net assets at end of year	<u>\$ 104,904</u>	<u>\$ 75,743</u>

Capital Assets

At June 30, 2011, the School had \$22,492 invested in computers and furniture, fixtures, and equipment, net of accumulated depreciation. The overall decrease in capital assets of \$21,536 was due to depreciation expense of \$23,174 exceeding capital acquisitions of \$1,638. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2011, the School had no debt obligations outstanding.

Current Financial Related Activities

During the fiscal year ended June 30, 2011, there were approximately 81 students enrolled in the School. The School receives its finances mostly from the State foundation and Federal and State grants. In order to continually provide learning opportunities to students of the School, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State and Federal funds that are made available to finance its operations.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors 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 financial information contact Mr. Martin Ashley, Superintendent, 975-1045 Mediterranean Ave, Columbus, Ohio 43229 or at mashley875@sbcglobal.net.

**BASIC
FINANCIAL STATEMENTS**

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 105,672
Receivables:	
Intergovernmental.	12,644
Prepayments	1,241
Total current assets	119,557
Non-current assets:	
Security deposit.	2,000
Depreciable capital assets, net	22,492
Total non-current assets.	24,492
Total assets.	144,049
 Liabilities:	
Current liabilities:	
Accounts payable.	1,289
Accrued wages and benefits	10,735
Pension obligation payable.	5,476
Intergovernmental payable	21,645
Total liabilities	39,145
 Net assets:	
Invested in capital assets.	22,492
Restricted for:	
Federally funded programs.	1,774
Other purposes.	58,654
Unrestricted.	21,984
Total net assets	\$ 104,904

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenues:	
State foundation.	\$ 511,670
Other	260
Total operating revenues	511,930
Operating expenses:	
Salaries and wages.	265,615
Fringe benefits.	74,833
Purchased services.	417,909
Materials and supplies	35,661
Depreciation	23,174
Other.	12,176
Total operating expenses.	829,368
Operating loss.	(317,438)
Non-operating revenues:	
Federal and State grants.	346,599
Total non-operating revenues.	346,599
Change in net assets.	29,161
Net assets at beginning of year	75,743
Net assets at end of year.	\$ 104,904

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from state foundation	\$ 529,707
Cash received from other operations	260
Cash payments for salaries and wages.	(260,755)
Cash payments for fringe benefits	(81,992)
Cash payments for contractual services	(420,687)
Cash payments for materials and supplies	(36,118)
Cash payments for other expenses	(12,357)
	(281,942)
Net cash used in operating activities.	
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	317,490
	317,490
Net cash provided by noncapital financing activities.	
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,638)
	(1,638)
Net cash used in capital and related financing activities.	
Net increase in cash and cash equivalents.	33,910
Cash and cash equivalents at beginning of year	71,762
Cash and cash equivalents at end of year	\$ 105,672
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (317,438)
Adjustments:	
Depreciation	23,174
Changes in assets and liabilities:	
Decrease in prepayments	704
(Decrease) in accounts payable.	(1,629)
Increase in accrued wages and benefits.	2,307
Increase in intergovernmental payable.	18,738
(Decrease) in pension obligation payable	(7,798)
	(281,942)
Net cash used in operating activities.	\$ (281,942)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Pschtecinc Public School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code exclusively for educational purposes. The School's mission is to provide fifteen to twenty-one year old students an eighth through twelfth grade educational program with a better option to achieve high academic standards. 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 acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes and as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was approved for operation under a contract with the Lucas County Educational Service Center that began on April 28, 2005. The sponsorship was then assigned to Buckeye Community Hope Foundation ("BCHF") on July 21, 2005, and expired June 30, 2009. The sponsorship contract was renewed annually for fiscal year 2010 and 2011. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The Governing Board of the School operates under a Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board of Directors controls the School's instructional/support facility staffed by 4 non-certified and 5 certified full-time teaching personnel who provide services to 81 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School 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 School also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB guidance issued after November 30, 1989. The School's significant accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes 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.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements 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 School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. 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. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific 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.

D. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School 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 Section 5705.

E. Cash and Cash Equivalents

All monies received by the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the School's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit fiscal years beyond June 30, 2011, 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 ended in which services are consumed.

G. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the fiscal year. Donated assets are recorded at their fair market value as of the date received. 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Computers and furniture, fixtures and equipment are depreciated over five years.

H. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represents monies restricted for food service operations.

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

I. Operating Revenues and Expenses

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

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Intergovernmental Revenue

The School currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, Race to the Top, Education Jobs fund, the Federal Title I grant, the American Recovery and Reinvestment Act (ARRA) grants, State and Federal Food Service grants, the Improving Teacher Quality grant, School Improvement Subsidy G, the LEP-Title III grant, the Title II-D Technology Grant and the EMIS grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue for the fiscal year 2011 was \$346,599.

K. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2011, the School has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the School.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2011, the carrying amount of the School's deposits was \$105,672 and the bank balance was \$111,701. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full due to the stable condition of the State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

Receivables	<u>Amount</u>
Intergovernmental	
Race to the Top	\$ 1,515
Title I - ARRA	<u>11,129</u>
Total intergovernmental receivables	<u>\$ 12,644</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for fiscal year 2011 was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Capital assets:				
Computers	\$ 58,486	\$ 750	\$ -	\$ 59,236
Furniture, fixtures & equipment	<u>73,520</u>	<u>888</u>	<u>-</u>	<u>74,408</u>
Total capital assets	<u>132,006</u>	<u>1,638</u>	<u>-</u>	<u>133,644</u>
Less: accumulated depreciation:				
Computers	(39,924)	(9,905)	-	(49,829)
Furniture, fixtures & equipment	<u>(48,054)</u>	<u>(13,269)</u>	<u>-</u>	<u>(61,323)</u>
Total accumulated depreciation	<u>(87,978)</u>	<u>(23,174)</u>	<u>-</u>	<u>(111,152)</u>
Capital assets, net	<u>\$ 44,028</u>	<u>\$ (21,536)</u>	<u>\$ -</u>	<u>\$ 22,492</u>

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - RISK MANAGEMENT

A. Comprehensive

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2011, the School contracted with the Selective Insurance Company and had the following insurance coverage:

Coverage	Limits of Coverage
Commercial General Liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Damage to rented premises	100,000
Medical expense	5,000
Personal injury	1,000,000
 Business Personal Property:	
985 Mediterranean	26,000
997 Mediterranean	20,800
 Umbrella liability	
Each occurrence/aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage.

B. Workers' Compensation

The School 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.

C. Employee Medical Benefits

The School has contracted through an independent agent to provide employee medical insurance to its full time employees. The School pays a portion of the monthly premiums for all selected coverage (medical).

**PSCHECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$7,428, \$8,160 and \$5,631, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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 St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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.

**PSCHECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - PENSION PLANS - (Continued)

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 fiscal year 2011, 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. 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, 2011, 2010 and 2009 were \$25,722, \$26,166 and \$20,419, respectively; 85.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$5,039 made by the School and \$3,599 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Governing Board have elected Social Security. The School's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,374, \$1,410 and \$3,669, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$478, \$485 and \$465, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,979, \$2,013 and \$1,550, respectively; 85.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - FISCAL AGENT

The School entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the School for fiscal year 2011. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the revenue received by the School. A total contract payment of \$16,986 was paid during fiscal year 2011.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the School:

- Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all State funds of the School and follow State Auditor procedures for receiving and expending State funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of the State of Ohio;
- Invest funds of the School in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and,
- Pay obligations incurred by the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Office of the School so long as the proposed expenditure is within the approved budget and funds are available.

NOTE 11 - MANAGEMENT AGREEMENT

The School contracts with MJ Ashley Realty LLC to serve as the School's management company. MJ Ashley Realty LLC agrees to provide such requisite management, educational, financial, and other consulting services for a variety of services, including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial reporting, compliance issues, budgets, contracts, and equipment and facilities.

Per the management agreement with the School, MJ Ashley Realty LLC is entitled to up to 15% of all gross revenues received as per-pupil allotment from the State of Ohio. The management fee paid for fiscal year 2011 totaled \$32,817. MJ Ashley Realty LLC is owned by Martin J. Ashley, Superintendent of the School and Marilyn J. Ashley.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - MANAGEMENT COMPANY EXPENSES

For fiscal year ended June 30, 2011, MJ Ashley Realty LLC incurred the following expenses, which are reported on cash-basis, on behalf of the School:

<u>Expenses:</u>	<u>2011</u>
Direct Expenses:	
Salaries and wages	\$ 73,992
Employees' benefits	11,319
Purchase services	13,918
Supplies and materials	1,580
Depreciation	<u>6,000</u>
Total	<u>\$ 106,809</u>

NOTE 13 - RELATED PARTY TRANSACTIONS

The School contracts with MJ Ashley Realty LLC, which is owned by Martin Ashley, Superintendent of the School. MJ Ashley Realty received a total of \$106,809 during fiscal year 2011. This amount consisted of \$32,817 in management fees and \$73,992 in salaries paid to Martin and Jeanie Ashley. These amounts are reflected in the purchased services line item on the statement of revenues, expenses and changes in net assets.

NOTE 14 - PURCHASED SERVICES

For fiscal year 2011, purchased services expenses were as follows:

Professional and technical services	\$ 330,238
Property services	55,192
Travel	6,099
Communcations	12,968
Utilities	11,371
Contracts	1,054
Other purchased services	<u>987</u>
Total	<u>\$ 417,909</u>

NOTE 15 - OPERATING LEASES

The School entered into a School facility operating lease through September 14, 2006, with Rainbow Development Corporation, with an option to renew for four successive additional period of twelve months each. This lease was renewed on an annual basis starting September 15, 2010, through September 14, 2011. The School entered into an additional school facility operating lease for additional space, with Rainbow Development Corporation, on August 22, 2010, for a period of twelve months. Payments to Rainbow Development Corporation were \$3,385 for July through October 2010 and \$4,400 for November 2010 through June 2011. Payments for operating leases totaled \$48,740 for the fiscal year ended June 30, 2011.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - CONTINGENCIES

A. Grants

The School 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 School at June 30, 2011.

B. Litigation

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

C. Ohio Department of Education Enrollment Review

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 conclusion of this review resulted in a State Foundation payable of \$18,207 at June 30, 2011. This amount will be repaid in twenty monthly installments of \$902 withheld from foundation settlements beginning in November 2011.

NOTE 17 - SUBSEQUENT EFFECT

Effective July 1, 2011 Brian Adams became Treasurer of the School.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Pschtecinc Public School
985 Mediterranean Avenue
Columbus, Ohio 43229-2541

To the Board of Directors:

We have audited the financial statements of the Pschtecinc Public School, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Pschtecinc Public School's basic financial statements and have issued our report thereon dated December 12, 2011. 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 Pschtecinc Public School'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 Pschtecinc Public School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Pschtecinc Public School'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 Pschtecinc Public School'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.

Board of Directors
Pschtecín Public School

Compliance and Other Matters

As part of reasonably assuring whether the Pschtecín Public 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 the management, the Board of Directors of the Pschtecín Public School, the Pschtecín Public School's sponsor and others within the Pschtecín Public School. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 12, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Applying Agreed-Upon Procedure

Pschtecinc Public School
Franklin County
985 Mediterranean Avenue
Columbus, Ohio 43229-2541

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Pschtecinc Public School (the "School") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 the School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 12, 2011

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Dave Yost • Auditor of State

PSCHTECIN PUBLIC SCHOOL

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
JANUARY 31, 2012**