



Dave Yost • Auditor of State

**SCIOTOVILLE ELEMENTARY ACADEMY
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sciotoville Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the accompanying basic financial statements of the Sciotoville Elementary Academy, Scioto County, Ohio (the Academy), a component unit of the Sciotoville Community School, Scioto County, Ohio, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sciotoville Elementary Academy, Scioto County, Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

February 8, 2012

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Sciotoville Elementary Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Net assets increased \$192,904, which was primarily due to increases in State Foundation monies received.
- Total assets increased \$181,150. The most significant increase was in Cash and Cash Equivalents which increased primarily due to increases in State Foundation monies received. Capital Assets increased due to the addition of equipment to be used for educational purposes exceeding current year depreciation.
- Total liabilities decreased \$11,754. The decrease was primarily due to a decrease in Accounts Payable which was insignificant.

Using this Financial Report

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

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2011?" These statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and liabilities are reported, both short and long-term. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the fiscal year, regardless of when the cash is received or paid.

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Table 1 provides a summary of the Academy's net assets for fiscal year 2011 and fiscal year 2010:

(Table 1)
Net Assets

	2011	2010	Increase (Decrease)
Assets:			
Current Assets	\$728,250	\$603,344	\$124,906
Depreciable Capital Assets, Net	441,155	384,911	56,244
<i>Total Assets</i>	<u>1,169,405</u>	<u>988,255</u>	<u>181,150</u>
Liabilities:			
Current Liabilities	110,353	121,927	(11,574)
Non-Current Liabilities	0	180	(180)
<i>Total Liabilities</i>	<u>110,353</u>	<u>122,107</u>	<u>(11,754)</u>
Net Assets:			
Invested in Capital Assets	441,155	384,911	56,244
Restricted for Other Purposes	251,752	160,270	91,482
Unrestricted	366,145	320,967	45,178
<i>Total Net Assets</i>	<u>\$1,059,052</u>	<u>\$866,148</u>	<u>\$192,904</u>

Total assets increased \$181,150. Current Assets increased primarily due to an increase in Cash and Cash Equivalents. This was the result of an increase in State Foundation monies received.

Depreciable Capital Assets, Net increased \$56,244 mainly due to the addition of some equipment used for educational purposes exceeding current year depreciation.

Total Net Assets increased \$192,904 primarily due to an increase in State Foundation monies received as discussed above.

Total Liabilities decreased \$11,754. The decrease was primarily due to a decrease in Accounts Payable which was insignificant.

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2011	2010	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$1,006,349	\$943,637	\$62,712
Other Revenues	5,231	398	4,833
Non-Operating Revenues:			
Other Federal and State Grants	462,926	599,718	(136,792)
Other	561	3,360	(2,799)
<i>Total Revenues</i>	<u>1,475,067</u>	<u>1,547,113</u>	<u>(72,046)</u>
Operating Expenses:			
Salaries	714,303	599,694	114,609
Fringe Benefits	203,190	180,358	22,832
Purchased Services	136,095	122,007	14,088
Materials and Supplies	125,196	241,649	(116,453)
Depreciation	41,575	23,428	18,147
Other Expenses	61,804	33,276	28,528
<i>Total Expenses</i>	<u>1,282,163</u>	<u>1,200,412</u>	<u>81,751</u>
Change in Net Assets	192,904	346,701	(153,797)
<i>Net Assets at Beginning of Year</i>	<u>866,148</u>	<u>519,447</u>	<u>346,701</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,059,052</u></u>	<u><u>\$866,148</u></u>	<u><u>\$192,904</u></u>

Net Assets increased \$192,904 from fiscal year 2010 to fiscal year 2011. This increase was mainly due to an increase in State Foundation monies received. Total Expenses increased \$81,751 during fiscal year 2011 due mainly to the increase in teachers' aides.

SCIOTOVILLE ELEMENTARY ACADEMY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Capital Assets

At the end of fiscal year 2011, the School had \$441,155 invested in land improvements, buildings and improvements, and furniture, fixtures and equipment, which represented an increase of \$56,244 compared to fiscal year 2010. The increase consisted of the acquisition of equipment to be used for educational purposes which exceeded current year depreciation.

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

Current Issues

The contract with the Montgomery County Educational Service Center (MCESC), which established the MCESC as the Academy's sponsor effective April 24, 2007, was terminated and the Academy signed a contract with the Thomas B. Fordham Foundation as its Sponsor effective July 1, 2011.

Contacting the Academy's Financial Management

This 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 money it receives. If you have questions about this report or need additional information, contact Kelli Hunter, Treasurer at Sciotoville Elementary Academy, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at kelli.hunter@east.k12.oh.us.

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Net Assets

June 30, 2011

Assets:

Current Assets:

Cash and Cash Equivalents	\$535,735
Intergovernmental Receivables	190,554
Materials and Supplies Inventory	605
Prepaid Items	1,356
<i>Total Current Assets</i>	<u>728,250</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>441,155</u>
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<i>Total Assets</i>	<u>1,169,405</u>
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Liabilities:

Current Liabilities:

Accounts Payable	7,638
Accrued Wages and Benefits Payable	83,254
Intergovernmental Payable	19,140
Compensated Absences Payable	321

<i>Total Liabilities</i>	<u>110,353</u>
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Net Assets:

Invested in Capital Assets	441,155
Restricted for Other Purposes	251,752
Unrestricted	366,145

<i>Total Net Assets</i>	<u>\$1,059,052</u>
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See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Operating Revenues:	
Foundation Payments	\$1,006,349
Other Revenues	5,231
	<hr/>
<i>Total Operating Revenues</i>	<u>1,011,580</u>
Operating Expenses:	
Salaries	714,303
Fringe Benefits	203,190
Purchased Services	136,095
Materials and Supplies	125,196
Depreciation	41,575
Other Expenses	61,804
	<hr/>
<i>Total Operating Expenses</i>	<u>1,282,163</u>
<i>Operating Loss</i>	<u>(270,583)</u>
Non-Operating Revenues:	
Other Federal and State Grants	462,926
Other	561
	<hr/>
<i>Total Non-Operating Revenues</i>	<u>463,487</u>
<i>Change in Net Assets</i>	192,904
<i>Net Assets at Beginning of Year</i>	<u>866,148</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,059,052</u></u>

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Others	\$5,231
Cash Received from Foundation Payments	1,006,349
Cash Payments to Suppliers for Goods and Services	(274,330)
Cash Payments to Employees for Services	(712,959)
Cash Payments for Employee Benefits	(203,115)
Cash Payments to Others	<u>(61,804)</u>

Net Cash Used for Operating Activities (240,628)

Cash Flows from Noncapital Financing Activities:

Other Non-Operating Revenues	561
Operating Grants Received	<u>485,488</u>

Net Cash Provided by Noncapital Financing Activities 486,049

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(97,819)</u>
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Net Increase in Cash and Cash Equivalents 147,602

Cash and Cash Equivalents at Beginning of Year 388,133

Cash and Cash Equivalents at End of Year \$535,735
(continued)

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$270,583)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 41,575

Changes in Assets and Liabilities:

Decrease in Prepaid Items 739

Increase in Materials and Supplies Inventory (605)

Decrease in Accounts Payable (12,703)

Increase in Accrued Wages and Benefits Payable 1,230

Decrease in Intergovernmental Payable (242)

Decrease in Compensated Absences Payable (39)

Total Adjustments 29,955

Net Cash Used for Operating Activities (\$240,628)

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Sciotoville Elementary Academy of Sciotoville, Inc. (the “Academy”), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades Pre-K through sixth. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax exempt status. Due to the Board of Directors of the Sciotoville Community School serving as the Board of Directors of the Academy, the Academy is considered a component unit of the Sciotoville Community School and is included as a blended component unit in its general purpose external financial statements.

The Academy was approved for operations under contract with the Montgomery County Educational Service Center as the Academy’s Sponsor effective July 1, 2008. 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 Board of Directors. The Board members are elected at-large by the citizens of the community for staggered four-year terms. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy’s two instructional/support facilities staffed by five non-certified and 12 certificated full-time teaching personnel who provide services to 130 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Academy’s accounting policies are described below.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis Of Presentation

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

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

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

Measurement Focus

The accounting and financial reporting treatment of the Academy's financial transactions is determined by the Academy's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The 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 fiscal 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.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents

The Academy's Business Manager accounts for all monies received by the Academy. The Academy maintains a depository account for all funds of the Academy. This account is presented on the Statement of Net Assets as "Cash and Cash Equivalents". For purposes of the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods 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 in which services are consumed.

Inventory

Inventory is stated at lower of cost or market on a first-in, first-out basis. Inventories consist of classroom materials and supplies, which are expensed when used.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for all capital assets other than computers. The capitalization threshold for computers is \$500. 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.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Academy's termination policy. The Academy records a liability for accumulated unused sick leave for employees with at least five years of current service for all positions (including certified and non-certified staff). Since the Academy has not been in operation for five years, there is no sick leave benefits liability.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent federal and State grants restricted to expenditures for specified purposes.

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

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. These revenues consist of certain intergovernmental revenues. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Estimates

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

NOTE 3 – CASH DEPOSITS

At June 30, 2011, the carrying amount of all Sciotoville Elementary Academy deposits was \$535,735 and the bank balance was \$566,231. Based on the criteria described in GASB Statement 40, “*Deposit and Investments Risk Disclosure*,” as of June 30, 2011, none of the bank balance was exposed to custodial risk as discussed below, as the entire bank balance was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Sciotoville Elementary Academy will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Sciotoville Elementary Academy.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, consist of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I Grants to Local Educational Agencies (Title I)	\$54,165
Title I School Improvement Grant	28,334
Improving Teacher Quality Grant (Title II-A)	5,759
Education Technology Grant (Title II-D)	754
Education Jobs Grant	59,725
Race to the Top Grant	15,706
Special Education Grants to States (Part B-IDEA)	19,013
Federal Startup Grant	7,098
Total Intergovernmental Receivables	<u><u>\$190,554</u></u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/11</u>
Capital Assets Being Depreciated:				
Land Improvements	\$4,272	\$0	\$0	\$4,272
Buildings and Improvements	208,238	0	0	208,238
Furniture, Fixtures and Equipment	209,039	97,819	0	306,858
Total Capital Assets				
Being Depreciated	421,549	97,819	0	519,368
Less Accumulated Depreciation:				
Land Improvements	(283)	(214)	0	(497)
Buildings and Improvements	(7,622)	(4,164)	0	(11,786)
Furniture, Fixtures and Equipment	(28,733)	(37,197)	0	(65,930)
Total Accumulated Depreciation	(36,638)	(41,575)	0	(78,213)
Capital Assets, Net	<u><u>\$384,911</u></u>	<u><u>\$56,244</u></u>	<u><u>\$0</u></u>	<u><u>\$441,155</u></u>

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 6 - RISK MANAGEMENT

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 2011, the Academy contracted with Sherman Kricker Insurance Company for general liability and property insurance and Cincinnati Insurance Company for educational errors and omissions insurance.

This has been the third year of coverage provided to the Academy. Settled claims have not exceeded the commercial coverage in the last three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

Workers' Compensation

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The Academy participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,168, \$13,634, and \$7,716, respectively. For fiscal year 2011, 80.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2011

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

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

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 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$59,878, \$67,603, and \$32,806, respectively. For fiscal year 2011, 85.43 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$123 made by the Academy and \$88 made by the plan members.

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the Academy paid \$3,218 in surcharge.

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, 2011, 2010, and 2009 were \$4,812, \$3,709, and \$4,016, respectively. For fiscal year 2011, 80.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$847, \$811, and \$637, respectively. For fiscal year 2011, 80.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description – The Academy participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,606, \$5,200, and \$2,524, respectively. For fiscal year 2011, 85.43 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 9 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation benefits are derived from policies and procedures approved by the Board of Directors. Non-certified employees earn 10 to 20 days of vacation per fiscal year, depending upon their length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment up to a maximum payment of 50 days. Teachers do not earn vacation.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 9 - EMPLOYEE BENEFITS (continued)

Teachers, administrators, and non-certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for those employees with five years of continuous service and who apply and qualify for retirement under SERS or STRS Ohio.

Insurance Benefits

The Academy provides life, prescription, dental, vision, and medical/surgical benefits to most employees through Medical Mutual of Ohio.

Deferred Compensation

Academy employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 10 - LEASES - LEASEE DISCLOSURE

The Academy leases land and a gymnasium from the Sciotoville Christian Church under an operating lease. Operating lease payments are reported as operating expenses on the financial statements. Total operating lease payments in fiscal year 2011 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2012.

NOTE 11 - CONTINGENCIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. 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, 2011.

Litigation

The Academy is not party to any legal proceedings.

SCIOTOVILLE ELEMENTARY ACADEMY

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 11 – CONTINGENCIES (continued)

State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The results of this review could result in State funding being adjusted. The Academy does not anticipate any adjustments to State funding for fiscal year 2011 as a result of such a review.

NOTE 12 – SUBSEQUENT EVENT

The contract with the Montgomery County Educational Service Center (MCESC), which established the MCESC as the Academy's Sponsor effective April 24, 2007, was terminated and the Academy signed a contract with the Thomas B. Fordham Foundation as its Sponsor effective July 1, 2011. The contract will expire on June 30, 2013. 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.



Dave Yost • Auditor of State

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

Sciotoville Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the basic financial statements of the Sciotoville Elementary Academy, Scioto County, Ohio (the Academy), a component unit of the Sciotoville Community School, Scioto County, Ohio, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated February 8, 2012.

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



Dave Yost
Auditor of State

February 8, 2012



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Sciotoville Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

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 Sciotoville Elementary Academy, Scioto County, Ohio (the Academy), 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 did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying by September 28, 2010. A revised anti-bullying policy was approved November 14, 2011 which included dating violence language. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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 is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 8, 2012

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Dave Yost • Auditor of State

SCIOTOVILLE ELEMENTARY ACADEMY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2012**