

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

RYAN JENKINS, TREASURER



Dave Yost • Auditor of State

Board of Directors
Pickerington Community School
7800 Refugee Road
Pickerington, Ohio 43147

We have reviewed the *Independent Auditor's Report* of the Pickerington Community School, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Pickerington Community 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

March 1, 2017

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**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 5
Basic Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements	9 - 13
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14 - 15



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

Pickerington Community School
Fairfield County
7800 Refugee Road
Pickerington, Ohio 43147

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Pickerington Community School, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pickerington Community School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Pickerington Community School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Pickerington Community School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pickerington Community School, Fairfield County, Ohio, as of June 30, 2016, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during the year ended June 30, 2016, the Pickerington Community School's sponsor was deemed ineffective. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Pickerington Community 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pickerington Community School's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 20, 2016

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the Pickerington Community School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position was \$48,219 at June 30, 2016.
- The School had operating revenues of \$736,058, operating expenses of \$696,735 and non-operating revenues of \$22,887 for fiscal year 2016. Total change in net position for the fiscal year was an increase of \$62,210.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position 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

These documents look at all financial transactions and ask the question, "How did we do financially during 2016?" The statement of net position and statement of revenues, expenses and changes in net position 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 position and changes in that position. This change in net position 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 6 and 7 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The table below provides a summary of the School's net position for fiscal year 2016 and 2015.

Net Position

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	\$ 96,926	\$ 37,420
Total assets	<u>96,926</u>	<u>37,420</u>
<u>Liabilities</u>		
Current liabilities	<u>48,707</u>	<u>51,411</u>
Total liabilities	<u>48,707</u>	<u>51,411</u>
<u>Net Position</u>		
Restricted	-	22,111
Unrestricted (deficit)	<u>48,219</u>	<u>(36,102)</u>
Total net position (deficit)	<u>\$ 48,219</u>	<u>\$ (13,991)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the School's net position ended with \$48,219. At June 30, 2015, the School's net position had no resources that were subject to external restriction on how they may be used. The balance of unrestricted net position was \$48,219 at June 30, 2016.

The table below shows the changes in net position for fiscal year 2016 and 2015.

Change in Net Position

	<u>2016</u>	<u>2015</u>
<u>Operating Revenues:</u>		
State foundation	\$ 736,058	\$ 614,603
Total operating revenue	<u>736,058</u>	<u>614,603</u>
<u>Operating Expenses:</u>		
Purchased services	626,342	584,485
Materials and supplies	<u>70,393</u>	<u>51,578</u>
Total operating expenses	<u>696,735</u>	<u>636,063</u>
<u>Non-operating Revenues:</u>		
Grants and subsidies	<u>22,887</u>	<u>26,672</u>
Total non-operating revenues	<u>22,887</u>	<u>26,672</u>
Change in net position	62,210	5,212
Net position (deficit) at beginning of year	<u>(13,991)</u>	<u>(19,203)</u>
Net position (deficit) at end of year	<u>\$ 48,219</u>	<u>\$ (13,991)</u>

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The School's activities are funded primarily from the state foundation program which provides funding based on a per pupil formula. Unlike traditional schools within the State of Ohio, community schools receive no support from the local community in the form of property taxes. Therefore, intergovernmental revenues from the state foundation program and specific educational federal and state grants are the only consistent revenue sources for the School. Revenue from the foundation program totaled \$736,058 in fiscal year 2016 and is based on the number of students served by the School using the State of Ohio's per pupil funding amount. Revenue from the foundation program is 96.98% of total revenues received by the School. Intergovernmental revenue (foundation program plus federal and state educational specific grants) are 100% of the total revenues reported by the School. It is clear the School is financially dependent on the State of Ohio continuing to fund community schools in a consistent manner from one year to the next.

Operating expenses totaled \$696,735 in fiscal year 2016. The operating expenditures were primarily for purchased services related to the purchase of data processing, fiscal services and payments for professional instruction and counseling services most of which are purchased from the Schools Sponsor, the Pickerington Local School District.

Capital Assets

At June 30, 2016 and June 30, 2015, the School had no capital assets.

Current Financial Related Activities

The School will strive to continue its success in future years and will continuously look for ways to enhance the student learning process.

The School will continue to use space provided by the Sponsor in the Pickerington North High School building.

The School's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

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 T. Ryan Jenkins, Treasurer at Pickerington Community School, 7800 Refugee Road, Pickerington, Ohio 43147 or email at ryan_jenkins@plsd.us.

**BASIC
FINANCIAL STATEMENTS**

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Cash	\$ 8,241
Receivables:	
Intergovernmental	<u>88,685</u>
Total assets	<u>96,926</u>
 Liabilities:	
Current liabilities:	
Accounts payable	19,220
Intergovernmental payable	<u>29,487</u>
Total liabilities	<u>48,707</u>
 Net position:	
Unrestricted	<u>48,219</u>
Total net position	<u><u>\$ 48,219</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
Foundation revenue	\$ 736,058
Total operating revenues	<u>736,058</u>
 Operating expenses:	
Purchased services.	626,342
Materials and supplies	70,393
Total operating expenses	<u>696,735</u>
 Operating income	 <u>39,323</u>
 Non-operating revenues:	
Grants	22,887
Total nonoperating revenues	<u>22,887</u>
 Change in net position	 62,210
 Net position (deficit) at beginning of year. .	 <u>(13,991)</u>
 Net position at end of year.	 <u>\$ 48,219</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from state foundation	\$ 615,315
Cash payments for contractual services	(596,855)
Cash payments for materials and supplies	<u>(51,173)</u>
Net cash used in operating activities	<u>(32,713)</u>
Cash flows from noncapital financing activities:	
Cash received from grants	<u>26,477</u>
Net cash provided by noncapital financing activities.	<u>26,477</u>
Net decrease in cash and cash equivalents	(6,236)
Cash and cash equivalents at beginning of year . . .	<u>14,477</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,241</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income.	\$ 39,323
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(69,332)
Increase in accounts payable	19,220
(Decrease) in intergovernmental payable	<u>(21,924)</u>
Net cash used in operating activities	<u><u>\$ (32,713)</u></u>

The School reported intergovernmental receivables in the amount of \$18,521 and \$22,111 at June 30, 2016 and June 30, 2015, respectively, for non-operating grants.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Pickerington Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students between 16 and 21 years of age who have dropped out of high school or are at risk of dropping out due to poor attendance, disciplinary problems, or suspensions. The School is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School is a dropout prevention/credit recovery high school that provides instruction through a vigorous, creative community-school program that prepares students for the 21st century.

The School was approved for operation under a Sponsorship Contract with the Pickerington Local School District (the "Sponsor"). A new Sponsorship contract was entered into on June 10, 2013 for the five year period July 1, 2013 through June 30, 2018. The Sponsor reserves the right to terminate this agreement with notice to the School by May 1st of any year, in which event the contract would expire on June 30th of that year. The Sponsor provided and maintained space at Pickerington North High School during the fiscal year.

The School operates under the direction of a three-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out 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.

A Service Agreement was approved between the School and the Sponsor for a two year period ending July 31, 2013. This Service Agreement was renewed for a five year period commencing August 1, 2013 and ending June 30, 2018. In accordance with the Service Agreement, the School purchased all services necessary for the operation of the School from the Sponsor. According to the contract, the total amount of these services is reimbursed for actual expenses incurred by the Sponsor. During the fiscal year, the School paid the Sponsor \$577,168. All personnel providing services to the School on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

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's significant accounting policies are described below.

A. Basis of Presentation

The School's BFS consists of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows.

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes.

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. Revenues 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 specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the contract with its Sponsor. The contract between the School and its Sponsor requires the School to prepare a five-year annual budget detailing revenues and expenses.

D. Cash

All monies received by the School are deposited into a demand deposit account. For internal accounting purposes, the School segregates its cash into various funds.

E. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School will apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

F. Intergovernmental Revenue

The School currently participates in the State Foundation Program, the IDEA Part B grant and received other unrestricted grants-in-aid from the State of Ohio. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2016 school year, excluding all other State and Federal grants, totaled \$736,058.

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. State and Federal grants revenue for the fiscal year 2016 received was \$22,887.

G. 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.

H. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold to include all assets over \$5,000 with a useful life of more than one year. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

The School had no capital assets at June 30, 2015 or June 30, 2016.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the School has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School.

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements.

NOTE 4 - DEPOSITS

At June 30, 2016, the carrying amount of all School deposits was \$8,241. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of June 30, 2016, the entire bank balance of \$8,241 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2016 consisted of \$18,521 due related to the IDEA Part B grant and \$70,164 due from the Ohio Department of Education (See Note 8.B for detail). These receivables are expected to be collected in the subsequent year.

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2016, purchased services expenses were as follows:

Professional and technical services	\$ 620,727
Travel, mileage and meetings	2,700
Tuition payments	<u>2,915</u>
Total purchased services	<u>\$ 626,342</u>

NOTE 7 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School was covered under the Sponsor's insurance policy for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage.

Settled claims have not exceeded this coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

**PICKERINGTON COMMUNITY SCHOOL
FAIRFIELD COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - 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, 2016.

B. Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2016 reviews, ODE owes \$70,164 to the School. This amount is reflected as an intergovernmental receivable on the basic financial statements.

C. Litigation

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

NOTE 9 - FEDERAL TAX-EXEMPT STATUS

In accordance with the options granted under existing Ohio law and the School's relationship with the Sponsor, the School is considered a governmental entity not subject to tax and is not required to file for not-for-profit tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code.

NOTE 10 - FISCAL AGENT

The School utilizes the services of the Sponsor's Treasurer as its fiscal officer. The School does not directly pay the Treasurer; however, it does reimburse the Sponsor for the services.

NOTE 11 - SPONSOR REVIEW

The Ohio Department of Education (ODE) performed a review on the School's sponsor and deemed them ineffective. Due to this determination, the School may be required to cease future operations as a community school. The future of the School is unknown.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

Pickerington Community School
Fairfield County
7800 Refugee Road
Pickerington, Ohio 43147

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Pickerington Community School, Fairfield County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pickerington Community School's basic financial statements and have issued our report thereon dated December 20, 2016, wherein we noted as discussed in Note 11 Pickerington Community School's sponsor was deemed ineffective.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Pickerington Community School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Pickerington Community School's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Pickerington Community School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Directors
Pickerington Community School

Compliance and Other Matters

As part of reasonably assuring whether the Pickerington Community 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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Pickerington Community School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Pickerington Community School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
December 20, 2016

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Dave Yost • Auditor of State

PICKERINGTON COMMUNITY SCHOOL

FAIRFIELD 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 14, 2017