



Dave Yost • Auditor of State

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Statement of Net Assets | 7 |
| Statement of Revenues, Expenses and Changes in Net Assets | 8 |
| Statement of Cash Flows | 9 |
| Notes to the Basic Financial Statements | 11 |
| Federal Awards Receipts and Expenditures Schedule..... | 25 |
| Notes to the Federal Awards Receipts and Expenditures Schedule | 26 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 27 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133 | 29 |
| Schedule of Findings and Questioned Costs - OMB Circular A-133 § .505 | 32 |
| Schedule of Prior Audit Findings - OMB Circular A-133 § .315 (b)..... | 43 |
| Corrective Action Plan - OMB Circular A-133 § .315 (c)..... | 44 |

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the accompanying basic financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the 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 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 Community School, Scioto County, Ohio, as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 15, 2013

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Sciotoville Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- Net assets decreased \$510,983, which was primarily due to current year depreciation exceeding additions and a decrease in unrestricted assets. Unrestricted net assets decreased as a result of current year expenses exceeding current year revenue.

- Total assets decreased \$443,509, which was primarily due to current year depreciation exceeding capital asset additions, along with a decrease in cash and cash equivalents resulting from a decrease in federal grants.

- Total liabilities increased \$67,474. This was mainly due to an increase in compensated absences payable.

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 2012?" 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 COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1 provides a summary of the School's net assets for fiscal year 2012 and fiscal year 2011:

(Table 1)
Net Assets

| | 2012 | 2011 | Increase (Decrease) |
|---------------------------------|--------------------|--------------------|------------------------|
| Assets: | | | |
| Current Assets | \$1,141,590 | \$1,435,856 | (\$294,266) |
| Land | 378,902 | 378,902 | 0 |
| Depreciable Capital Assets, Net | 2,640,768 | 2,790,011 | (149,243) |
| <i>Total Assets</i> | <u>4,161,260</u> | <u>4,604,769</u> | <u>(443,509)</u> |
| Liabilities: | | | |
| Current Liabilities | 469,950 | 453,798 | 16,152 |
| Non-Current Liabilities | 58,316 | 6,994 | 51,322 |
| <i>Total Liabilities</i> | <u>528,266</u> | <u>460,792</u> | <u>67,474</u> |
| Net Assets: | | | |
| Invested in Capital Assets | 3,019,670 | 3,168,913 | (149,243) |
| Restricted for Other Purposes | 553,367 | 554,510 | (1,143) |
| Unrestricted | 59,957 | 420,554 | (360,597) |
| <i>Total Net Assets</i> | <u>\$3,632,994</u> | <u>\$4,143,977</u> | <u>(\$510,983)</u> |

Total assets decreased \$443,509, which was primarily due to current year depreciation exceeding capital asset additions, along with a decrease in cash and cash equivalents resulting from a decrease in federal grants.

Total liabilities increased \$67,474. This was mainly caused by an increase in compensated absences payable due to a number of employees now meeting the criteria to be included in the liability calculation for compensated absences.

Net assets decreased \$510,983, which was primarily due to current year depreciation exceeding additions and a decrease in unrestricted assets. Unrestricted net assets decreased as a result of current year expenses exceeding current year revenues.

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 and fiscal year 2011, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

| | 2012 | 2011 | Increase (Decrease) |
|--|---------------------------|---------------------------|---------------------------|
| Operating Revenues: | | | |
| Extracurricular and Lunchroom Sales | \$124,826 | \$103,126 | \$21,700 |
| Foundation Payments | 3,195,434 | 3,070,967 | 124,467 |
| Charges for Sales and Services | 37,749 | 1,010 | 36,739 |
| Other Revenues | 12,269 | 33,621 | (21,352) |
| Non-Operating Revenues: | | | |
| Federal Donated Commodities | 23,712 | 40,282 | (16,570) |
| Federal and State Meal Subsidies | 160,587 | 152,266 | 8,321 |
| Other Federal and State Grants | 539,549 | 1,241,423 | (701,874) |
| Interest | 6,013 | 0 | 6,013 |
| Other | 225 | 31,948 | (31,723) |
| <i>Total Revenues</i> | <u>4,100,364</u> | <u>4,674,643</u> | <u>(574,279)</u> |
| Operating Expenses: | | | |
| Salaries | 2,442,498 | 2,539,126 | (96,628) |
| Fringe Benefits | 1,069,493 | 909,131 | 160,362 |
| Purchased Services | 412,477 | 485,191 | (72,714) |
| Materials and Supplies | 230,841 | 308,828 | (77,987) |
| Cost of Sales | 106,031 | 103,434 | 2,597 |
| Depreciation | 158,180 | 158,415 | (235) |
| Other Expenses | 191,827 | 165,476 | 26,351 |
| <i>Total Expenses</i> | <u>4,611,347</u> | <u>4,669,601</u> | <u>(58,254)</u> |
| Change in Net Assets | (510,983) | 5,042 | (516,025) |
| <i>Net Assets at Beginning of Year</i> | <u>4,143,977</u> | <u>4,138,935</u> | <u>5,042</u> |
| <i>Net Assets at End of Year</i> | <u><u>\$3,632,994</u></u> | <u><u>\$4,143,977</u></u> | <u><u>(\$510,983)</u></u> |

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

There was a decrease in total revenue of \$574,279, primarily due to decreases in Federal Grants. Overall, there was a decrease in total expenses of \$58,254, which was insignificant.

Capital Assets

At the end of fiscal year 2012, the School had \$3,019,670 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represent a decrease of \$149,243 from fiscal year 2012. The decrease was primarily due to current fiscal year depreciation exceeding additions.

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

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Kelli Hunter, Treasurer, at Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at kelli.hunter@east.k12.oh.us.

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Net Assets

June 30, 2012

Assets:

Current Assets:

| | |
|----------------------------------|------------------|
| Cash and Cash Equivalents | \$633,511 |
| Accounts Receivable | 38,115 |
| Intergovernmental Receivables | 442,358 |
| Inventory Held for Resale | 8,859 |
| Materials and Supplies Inventory | 8,989 |
| Prepaid Items | 9,758 |
| Total Current Assets | <u>1,141,590</u> |

Non-Current Assets:

| | |
|---------------------------------|------------------|
| Capital Assets: | |
| Land | 378,902 |
| Depreciable Capital Assets, Net | <u>2,640,768</u> |
| Total Non-Current Assets | <u>3,019,670</u> |

Total Assets 4,161,260

Liabilities:

Current Liabilities:

| | |
|------------------------------------|---------------|
| Accounts Payable | 21,106 |
| Accrued Wages and Benefits Payable | 325,297 |
| Intergovernmental Payable | 84,020 |
| Compensated Absences Payable | 14,847 |
| Undistributed Monies | <u>24,680</u> |
| Total Current Liabilities | 469,950 |

Non-Current Liabilities:

| | |
|------------------------------|---------------|
| Compensated Absences Payable | <u>58,316</u> |
|------------------------------|---------------|

Total Liabilities 528,266

Net Assets:

| | |
|-------------------------------|---------------|
| Invested in Capital Assets | 3,019,670 |
| Restricted for Other Purposes | 553,367 |
| Unrestricted | <u>59,957</u> |

Total Net Assets \$3,632,994

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

| | |
|---|---------------------------|
| Operating Revenues: | |
| Extracurricular and Lunchroom Sales | \$124,826 |
| Foundation Payments | 3,195,434 |
| Charges for Sales and Services | 37,749 |
| Other Revenues | <u>12,269</u> |
| <i>Total Operating Revenues</i> | <u>3,370,278</u> |
| Operating Expenses: | |
| Salaries | 2,442,498 |
| Fringe Benefits | 1,069,493 |
| Purchased Services | 412,477 |
| Materials and Supplies | 230,841 |
| Cost of Sales | 106,031 |
| Depreciation | 158,180 |
| Other Expenses | <u>191,827</u> |
| <i>Total Operating Expenses</i> | <u>4,611,347</u> |
| <i>Operating Loss</i> | <u>(1,241,069)</u> |
| Non-Operating Revenues/Expenses: | |
| Federal Donated Commodities | 23,712 |
| Federal and State Meal Subsidies | 160,587 |
| Other Federal and State Grants | 539,549 |
| Interest | 6,013 |
| Other | <u>225</u> |
| <i>Total Non-Operating Revenues</i> | <u>730,086</u> |
| <i>Change in Net Assets</i> | (510,983) |
| <i>Net Assets at Beginning of Year</i> | <u>4,143,977</u> |
| <i>Net Assets at End of Year</i> | <u><u>\$3,632,994</u></u> |

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

| | |
|---|------------------|
| Cash Received from Customers | \$127,366 |
| Cash Received from Others | 10,096 |
| Cash Received from Foundation Payments | 3,195,434 |
| Cash Payments to Suppliers for Goods and Services | (711,681) |
| Cash Payments to Employees for Services | (2,437,050) |
| Cash Payments for Employee Benefits | (1,035,600) |
| Cash Payments to Others | <u>(176,157)</u> |

Net Cash Used for Operating Activities (1,027,592)

Cash Flows from Noncapital Financing Activities:

| | |
|---|----------------|
| Other Non-Operating Revenues | 26,962 |
| Other Non-Operating Expenses | (18,846) |
| Federal and State Subsidies Received | 161,791 |
| Other Federal and State Grants Received | <u>619,566</u> |

Net Cash Provided by Noncapital Financing Activities 789,473

Cash Flows from Capital and Related Financing Activities:

| | |
|-----------------------------------|----------------|
| Payments for Capital Acquisitions | <u>(8,937)</u> |
|-----------------------------------|----------------|

Net Decrease in Cash and Cash Equivalents (247,056)

Cash and Cash Equivalents at Beginning of Year 880,567

Cash and Cash Equivalents at End of Year \$633,511

(continued)

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$1,241,069)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 158,180

Donated Commodities Received During the Year 23,712

Changes in Assets and Liabilities:

Increase in Accounts Receivable (38,115)

Increase in Prepaid Items (4,080)

Decrease in Inventory Held for Resale 7,508

Decrease in Materials and Supplies Inventory 676

Increase in Accounts Payable 9,402

Increase in Accrued Wages and Benefits Payable 9,045

Increase in Intergovernmental Payable 3,122

Increase in Compensated Absences Payable 43,682

Increase in Undistributed Monies 345

Total Adjustments 213,477

Net Cash Used for Operating Activities (\$1,027,592)

Non-Cash Transactions:

During fiscal year 2012, the School received \$23,712 in donated commodities.

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Sciotoville Community School (the "School") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through 12. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Sciotoville Community School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

On May 1, 2011, the Thomas B. Fordham Institute signed a contract with the School to be the School's Sponsor effective July 1, 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 or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board members are elected at-large by the citizens of the community for staggered four-year terms. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's three support facilities staffed by 30 classified and 46 certificated full-time teaching personnel who provide services to 432 students.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the Sciotoville Community School, this includes general operations, food service, and student related activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the issuance of debt. The Sciotoville Elementary Academy (the "Academy"), which began operations July 1, 2008, is governed by the same Board of Directors as the Sciotoville Community School. Therefore, for financial reporting purposes, it is combined with the financial statements of the Sciotoville Community School.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY (continued)

Separate financial statements for the Sciotoville Elementary Academy may be obtained by contacting Kelli Hunter, Treasurer, at Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or email at kelli.hunter@east.k12.oh.us.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis Of Presentation

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

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

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

Measurement Focus

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

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The School's financial statements are prepared using the accrual basis of accounting.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

Budgetary Process

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

Cash and Cash Equivalents

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is stated at lower of cost or market on a first-in, first-out basis. Inventories consist of donated and purchased food held for resale, as well as supplies, all of which are expensed when used.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000 for all capital assets other than computers. The capitalization threshold for computers is \$500. 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 reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Land Improvements | 15 - 20 years |
| Buildings and Improvements | 15 - 50 years |
| Furniture, Fixtures and Equipment | 3 - 20 years |
| Vehicles | 5 - 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 School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for employees with at least five years of current service for all positions (including certified and non-certified staff).

Net Assets

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

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

Operating Revenues and Expenses

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

Intergovernmental Revenues

The School 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 School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, the carrying amount of all Sciotoville Community Schools deposits was \$633,511 and the bank balance was \$753,868. Based on the criteria described in GASB Statement 40, "*Deposit and Investments Risk Disclosure*," as of June 30, 2012, 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 Community School 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 Community School.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, consist of accounts and 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.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 4 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|---|-------------------------|
| Title I Grants to Local Educational Agencies (Title I) | \$110,343 |
| ARRA - Title I Grants to Local Educational Agencies (Title I) | 32,837 |
| Improving Teacher Quality Grant (Title II-A) | 3,065 |
| Education Technology Grant (Title II-D) | 6,528 |
| Race to the Top Grant | 76,525 |
| Special Education Grants to States (Part B-IDEA) | 77,211 |
| National School Lunch and Breakfast Programs | 9,526 |
| Education Jobs Grant | 126,323 |
| Total Intergovernmental Receivables | <u><u>\$442,358</u></u> |

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

| | <u>Balance</u> <u>6/30/11</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/12</u> |
|---------------------------------------|----------------------------------|---------------------------|-------------------|----------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$378,902 | \$0 | \$0 | \$378,902 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 161,265 | 0 | 0 | 161,265 |
| Buildings and Improvements | 2,659,782 | 0 | 0 | 2,659,782 |
| Furniture, Fixtures and Equipment | 881,153 | 8,937 | 0 | 890,090 |
| Vehicles | 27,450 | 0 | 0 | 27,450 |
| Total Capital Assets | | | | |
| Being Depreciated | 3,729,650 | 8,937 | 0 | 3,738,587 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (42,987) | (8,602) | 0 | (51,589) |
| Buildings and Improvements | (459,354) | (54,180) | 0 | (513,534) |
| Furniture, Fixtures and Equipment | (419,135) | (93,253) | 0 | (512,388) |
| Vehicles | (18,163) | (2,145) | 0 | (20,308) |
| Total Accumulated Depreciation | (939,639) | (158,180) | 0 | (1,097,819) |
| Total Capital Assets | | | | |
| Being Depreciated, Net | 2,790,011 | (149,243) | 0 | 2,640,768 |
| Capital Assets, Net | <u><u>\$3,168,913</u></u> | <u><u>(\$149,243)</u></u> | <u><u>\$0</u></u> | <u><u>\$3,019,670</u></u> |

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 6 - RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School contracted with Cincinnati Insurance Company for general liability, property insurance, and educational errors and omissions insurance through its broker Sherman Kricker Insurance Company.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

Workers' Compensation

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School 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 School 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$60,785, \$58,399, and \$63,623, respectively. For fiscal year 2012, 98.68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

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

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, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$240,485, \$250,590, and \$220,494, respectively. For fiscal year 2012, 83.36 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$325 made by the School and \$232 made by the plan members. In addition, member contributions of \$2,877 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan, with \$4,028 contributed by the School.

NOTE 8 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School 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, Medicare Advantage, 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 fiscal year 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the School paid \$8,118 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 School's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,750, \$18,385, and \$13,604, respectively. For fiscal year 2012, 98.68 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,590, \$3,758, and \$3,784, respectively. For fiscal year 2012, 98.68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio

Plan Description – The School 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 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$18,499, \$19,276, and \$16,961, respectively. For fiscal year 2012, 83.36 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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.

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 School provides dental, prescription, and medical/surgical benefits to most employees through Medical Mutual of Ohio and life insurance through Fort Dearborn. The School also provides vision benefits to most employees through Vision Service Plan.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 9 - EMPLOYEE BENEFITS (continued)

Deferred Compensation

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

NOTE 10 - 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 2012 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2013.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2012 were as follows:

| <u>Long-Term Obligations</u> | <u>Amount Outstanding 6/30/11</u> | <u>Additions</u> | <u>Deductions</u> | <u>Amount Outstanding 6/30/12</u> | <u>Current Portion</u> |
|------------------------------|---|------------------|-------------------|---|----------------------------|
| Compensated Absences | \$29,481 | \$55,585 | \$11,903 | \$73,163 | \$14,847 |

NOTE 12 - CONTINGENCIES

Grants

The School received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2012.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 12 - CONTINGENCIES (continued)

Litigation

The School is not party to any legal proceedings.

State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The results of this review for fiscal year 2012 resulted in an adjustment in the amount of \$16,058 that will be repaid in fiscal year 2013. This is reflected as a liability on the School's financial statements.

NOTE 13 – SUBSEQUENT EVENT

On May 14, 2012, the Sciotoville Elementary Academy approved a promissory note agreement with Sciotoville Community School whereby the Community School promised to pay to the order of the Sciotoville Elementary Academy the sum of \$30,000. However, Sciotoville Elementary Academy did not make the expenditure of \$30,000 to the Sciotoville Community School until August 28, 2012.

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| FEDERAL GRANTOR/ Pass Through Grantor Program Title | Grant Year | Federal CFDA Number | Receipts | Disbursements |
|--|---------------|---------------------------|--------------------------|--------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| Non-Cash Assistance (Food Distribution): | | | | |
| National School Lunch Program | 2011/2012 | 10.555 | \$ 11,816 | \$ 11,816 |
| Cash Assistance: | | | | |
| School Breakfast Program | 2011/2012 | 10.553 | 45,626 | 45,626 |
| National School Lunch Program | 2011/2012 | 10.555 | 121,929 | 121,929 |
| Cash Assistance Subtotal | | | <u>167,555</u> | <u>167,555</u> |
| Total Child Nutrition Cluster | | | 179,371 | 179,371 |
| Fresh Fruit and Vegetable Program | 2011/2012 | 10.582 | <u>7,938</u> | <u>7,938</u> |
| Total U.S. Department of Agriculture | | | 187,309 | 187,309 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Title I Cluster: | | | | |
| Title I Grants to Local Educational Agencies | 2011 | 84.010 | 68,233 | 36,223 |
| | 2012 | | <u>232,857</u> | <u>244,543</u> |
| Total Title I Grants to Local Educational Agencies | | | 301,090 | 280,766 |
| ARRA- Title I Grants to Local Educational Agencies | 2011 | 84.389 | 48,646 | 7,838 |
| | 2012 | | <u>0</u> | <u>32,215</u> |
| Total ARRA Title I Grants to Local Educational Agencies | | | 48,646 | 40,053 |
| Total Title I Cluster | | | 349,736 | 320,819 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 2011 | 84.027 | 25,023 | 17,177 |
| | 2012 | | <u>67,466</u> | <u>66,306</u> |
| Total Special Education Grants to States | | | 92,489 | 83,483 |
| ARRA - Special Education - Grants to States | 2011 | 84.391 | <u>21,470</u> | <u>12,445</u> |
| Total Special Education Cluster | | | 113,959 | 95,928 |
| Safe and Drug-Free Schools and Communities - State Grants | 2011 | 84.186 | 312 | 0 |
| Charter Schools | 2011 | 84.282 | 7,098 | 0 |
| Education Technology State Grants | 2011 | 84.318 | (1,133) | 0 |
| | 2012 | | <u>1,133</u> | <u>0</u> |
| Total Education Technology State Grants | | | 0 | 0 |
| Improving Teacher Quality State Grants | 2011 | 84.367 | 14,044 | 2,315 |
| | 2012 | | <u>1,349</u> | <u>0</u> |
| Total Improving Teacher Quality State Grants | | | 15,393 | 2,315 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | 2011 | 84.394 | 0 | 78,228 |
| ARRA - Race to the Top Assessment (RTTA) | 2011 | 84.395 | 16,535 | 1,627 |
| | 2012 | | <u>41,880</u> | <u>48,410</u> |
| Total ARRA - Race to the Top Assessment (RTTA) | | | 58,415 | 50,037 |
| Education Jobs Fund | 2012 | 84.410 | <u>63,554</u> | <u>117,432</u> |
| Total U.S. Department of Education | | | 608,467 | 664,759 |
| Total Federal Awards Receipts and Expenditures | | | <u>\$ 795,776</u> | <u>\$ 852,068</u> |

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The School reports commodities consumed on the Schedule at the entitlement value. The School allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFER BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting a negative receipt amount. The School transferred the following amounts from 2011 to 2012:

| Sciotoville Community School Program Title | CFDA Number | Amount Transferred from 2011 to 2012 |
|--|-------------|--------------------------------------|
| Education Technology State Grants | 84.318 | \$1,133 |
| ARRA – Race to the Top | 84.395 | 5,000 |

| Sciotoville Elementary Academy Program Title | CFDA Number | Amount Transferred from 2011 to 2012 |
|--|-------------|--------------------------------------|
| Improving Teacher Quality State Grants | 84.367 | \$1,349 |
| Special Education Grants to States | 84.027 | 1,923 |

NOTE E – PRIOR PERIOD ADJUSTMENT

During fiscal year 2012, the School made adjusting entries in fiscal year 2012 to reduce the expenditures for the 2011 cost center in several grants. Therefore, these adjustments affect 2011 fiscal year program expenditures previously reported as follows:

| Community School Grant CFDA # | FY 11 Federal Expenditures Reported | Adjustment Posted in FY 12 | Adjusted 2011 Federal Expenditures Reported | FY 12 Federal Expenditures Reported | Total Expenditures for this Grant |
|-------------------------------|-------------------------------------|----------------------------|---|-------------------------------------|-----------------------------------|
| 84.010 | 192,937 | (5,246) | 187,691 | 21,530 | 209,221 |

| Elementary Academy Grant CFDA # | FY 11 Federal Expenditures Reported | Adjustment Posted in FY 12 | Adjusted 2011 Federal Expenditures Reported | FY 12 Federal Expenditures Reported | Total Expenditures for this Grant |
|---------------------------------|-------------------------------------|----------------------------|---|-------------------------------------|-----------------------------------|
| 84.010 | 80,607 | (1,839) | 78,768 | 14,693 | 93,461 |
| 84.027 | 16,675 | (1,883) | 14,792 | 4,717 | 19,509 |



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 Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited the basic financial statements of the Sciotoville Community School, Scioto County, Ohio (the School), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider a significant deficiency in internal control over financial reporting. We consider Finding 2012-01 to be a significant deficiency. 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.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 15, 2013.

The School's response to the Finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, the School's Sponsor, and federal awarding agencies and pass-through entities and others within the School. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 15, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

Compliance

We have audited the compliance of the Sciotoville Community School, Scioto County, Ohio (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School's major federal programs for the year ended June 30, 2012. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with these requirements.

As described in Findings 2012-03 through 2012-05 in the accompanying Schedule of Findings and Questioned Costs, the School did not comply with requirements regarding Period of Availability, Reporting, and Special Tests and Provisions applicable to its Title I, Part A Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the School to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists this instance as Finding 2012-02.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly we have not opined on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-02 through 2012-05 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-06 to be a significant deficiency.

The School's responses to the findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 15, 2013.

Sciotoville Community School
Scioto County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control over
Compliance Required By OMB Circular A-133
Page 3

We intend this report solely for the information and use of management, the Board of Directors, the School's Sponsor, others within the School, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

March 15, 2013

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Qualified – Title I, Part A Cluster – CFDA #84.010 & #84.389 Unqualified – Education Jobs Fund – CFDA # 84.410 |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Title I, Part A Cluster – CFDA #84.010 & #84.389 Education Jobs Fund – CFDA # 84.410 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2012-01

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 121.22 requires all meetings of any public body (including community schools) are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

The official minutes of the Sciotoville Community School and Elementary Academy were not made available for inspection by audit for the period of March 2012 through June 30, 2012 as of November 15, 2012. As a result, we feel these were not being promptly recorded and made available for public inspection. Instead, the minutes for this period, were maintained on the computer of the treasurer with no official sign off of the treasurer or board president. In addition to this, it was the Board of Director's regular procedure to approve the prior month's minutes during the current month's meeting. However, it was noted that the minutes were not actually being presented at the meetings in which this approval was being done. Without some type of review of the minute record by the Board of Directors, there is no way to determine that the official final record is accurate and complete. Review of minute approvals, as indicated by the Board President's signature demonstrate that 33.3 percent of the Sciotoville Community School's minute records for fiscal year 2012 were not signed while 41.7 percent of the Sciotoville Elementary Academy's minute records for fiscal year 2012 were not signed as of November 15, 2012.

As no official minute record existed for March through June 2012 as of November 15, 2012, no official record of Board of Director's approval of financial information, including budget vs. actual information and bank reconciliations, are noted for that time period as well. This results in an inability to determine if proper monitoring occurred.

In addition to the items noted above, we noted a few references in the minute record to various appendices. However, these appendices were not included in the minute record. Without the appendices being included in the minute record, there is no way to identify what the Board of Directors was truly approving.

We recommend minute records of the Board of Directors be prepared and presented to the Board of Directors at the following meeting for official approval. The minute records that are being approved by the Board of Directors should then be signed by both the treasurer, who has prepared them, and the Board President. Further, the minute records should include all necessary information, including any type of appendices that are being approved and referenced thereto.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2012-01 (Continued)

Noncompliance Citation/Significant Deficiency (Continued)

Officials' Response:

As noted in the finding, minute records did not make it to the official book. They had been typed and were on our computers however they did not get printed in the minute book. The Board was being presented the CHECKPY and RECLEED reports which documented the receipts and expenditures for each month in the Treasurer's Report. Also noted appendices are kept with the Board packet and not in the minute record. If a request was made for an appendix it was retrieved from the minute packet and copied.

After discussion with a representative of the Auditor's Office, appendices will now be incorporated into the official minute record instead of the minute support packet. Also our office will strive to get the minutes into the Board book in a more timely fashion.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|------------------------------------|---|
| Finding Number | 2012-02 |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 Education Jobs Fund – CFDA # 84.410 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation and Material Weakness – Federal Awards Receipts and Expenditures Schedule

OMB Circular Number A-133, Subpart C, §_.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

During current year testing of the School's Federal Schedule, we note the following:

Sciotoville Community School

- 2011 ARRA Race to The Top CFDA # 84.395 Carryover Cash on Hand Adjustment in the amount of \$5,000 was not posted to the School's accounting system.
- 2011 Education Technology State Grants CFDA # 84.318 Carryover Cash on Hand Adjustment in the amount of \$1,133 was not posted to the School's accounting system.
- The School's fund listing includes old grant funds with ending fund balances.
- Expenditures were posted to grant fund / special cost center line items in excess of grant budget amounts.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|---|
| Finding Number | 2012-02 (Continued) |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 Education Jobs Fund – CFDA # 84.410 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation and Material Weakness – Federal Awards Receipts and Expenditures Schedule (Continued)

Sciotoville Community School (Continued)

- For the School's FY 2011 ARRA Special Education Grants to States Program, two separate funds were used to track activity which were Fund Special Cost Centers 516-9320 and 516-9320.
- An FY 2012 Special Education Grants to States CFDA # 84.027 receipt in the amount of \$6,076 was posted to ARRA Race to the Top CFDA # 84.395 FY 2012 Fund.
- The School had an FY 2012 ARRA Title I Grant in which a separate fund was not established to track activity although a Final Expenditure Report were prepared in total amount of \$8,212.

Sciotoville Elementary Academy

- 2011 Special Education Grants to States CFDA # 84.027 Carryover Cash on Hand Adjustment in the amount of \$1,923 was not posted to the Academy's accounting system.
- 2011 Improving Teacher Quality State Grants CFDA # 84.367 Carryover Cash on Hand Adjustment in the amount of \$1,349 was not posted to the Academy's accounting system
- The Academy's fund listing includes old grant funds with ending fund balances.
- Expenditures were posted to grant fund / special cost center line items in excess of grant budget amounts.
- An ARRA Race to the Top CFDA # 84.395 receipt in the amount of \$67 was posted to a Title I Grant Fund.
- The Academy had an FY 2012 Education Jobs Fund Grant and an FY 2012 ARRA Title I Grant in which separate funds were not established to track activity although Final Expenditure Reports were prepared in total amounts of \$53,483 and \$24,003. (See Finding Number 2012-06)

We recommend the Sciotoville Community School and Elementary Academy Treasurer perform the following:

- Establish separate grant funds to track each separate grant;
- Take due care in posting receipts to ensure amounts are posted to the proper grant fund;
- Properly post adjustments when carryover cash is transferred to the upcoming grant year;
- Review old grant funds with balances to determine whether amounts are owed to the state or back to the school; and
- Monitor budget versus actual grant activity to ensure amounts are being properly posted and amounts posted are in line and do not exceed the limits of the grant budget.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|---|
| Finding Number | 2012-02 (Continued) |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 Education Jobs Fund – CFDA # 84.410 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation and Material Weakness – Federal Awards Receipts and Expenditures Schedule (Continued)

Officials' Response:

During the year, previous grants had remaining balances that needed to be adjusted to be included in the current fiscal year. These funds were not adjusted but need to be. Also, some receipts had been posted to the wrong funding year.

I will do a review of funds and determine the amounts that need to be corrected and do so prior to the end of the current fiscal year (FY 2013). In addition, I will review all receipts to ensure proper posting.

| | |
|------------------------------------|--|
| Finding Number | 2012-03 |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost, Noncompliance Citation and Material Weakness – Period of Availability

34 C.F.R. Section 80.23(a) states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

In Ohio, programs included in the Ohio Department of Education's Consolidated Application have a project period starting with the application substantially approved date through June 30. Title I, Part A ARRA funds are available for obligation beginning with the date of enactment of ARRA, February 17, 2009. In Ohio, Local Educational Agency obligation periods didn't begin until the later of the substantially approved date or July 1, 2009.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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| | |
|------------------------------------|--|
| Finding Number | 2012-03 (Continued) |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost, Noncompliance Citation and Material Weakness – Period of Availability (Continued)

The Sciotoville Elementary Academy fiscal year 2012 ARRA grant application had an initial substantially approved date of June 8, 2012 and a project end date of June 30, 2012. The Community School charged \$9,893 in Title I ARRA expenditures to this program during fiscal year 2012 which were outside of this stated period of availability.

The Sciotoville Community School fiscal year 2012 ARRA grant application had an initial substantially approved date of May 18, 2012 and a project end date of June 30, 2012. The Community School charged \$4,505 in Title I ARRA expenditures to this program during fiscal year 2012 which were outside of this stated period of availability.

The total amount of \$14,398 is considered a questioned cost.

Failure to obligate federal expenditures within the approved period of availability could result in unallowable expenditures or activities being funded with federal funds.

We recommend the Sciotoville Community School and Elementary Academy monitor federal expenditures to ensure all amounts charged to federal programs are obligated within the proper period of availability as outlined in the grant application.

Officials' Response:

This finding stated Title I ARRA expenditures were obligated outside the period of availability.

A review will be done on all federal programs to determine availability dates and charges to ensure that this does not happen again.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
|--|

| | |
|------------------------------------|--|
| Finding Number | 2012-04 |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost and Material Weakness – Reporting

ODE Federal Fiscal Report Procedures #1 requires a Final Expenditure Report (FER). Consolidated Application Assurances item 5 provides, that Local Educational Agencies (LEA's) will make reports to the Ohio Department of Education (ODE) as may be reasonably necessary to enable ODE to perform its duties. Program funds are reported to the State of Ohio. The FER is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 90 days after the end of the project period, for programs contained in the CCIP. For programs contained in the CCIP, the report should reflect amounts actually expended, including obligations liquidated within 90 days of the end of the project period, not obligations encumbered but unliquidated. Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, no encumbered). The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and shall be supported by appropriate documentation.

Ohio Department of Education's Consolidated Application Assurances, Item 37, provides the School will have effective financial management systems which conform to the standards present in 34 C.F.R. 80.20, which includes, but is not limited to, the ability to report financial data verifying compliance with program regulations and maintaining effective internal control over the operations of the approved grant.

The Sciotoville Elementary Academy's 2012 ARRA Title I award was substantially approved on June 8, 2012 with a project end date of June 30, 2012. The Final Expenditure Report was submitted on September 30, 2012 and approved by the Ohio Department of Education on October 24, 2012.

The Sciotoville Community School's 2012 ARRA Title I award was substantially approved on May 18, 2012 with a project end date of June 30, 2012. The Final Expenditure Report was submitted on September 30, 2012 and approved by the Ohio Department of Education on October 24, 2012.

Some figures on the Final Expenditure Report did not agree to the accounting records to support total expenditures. This was in part due to the Schools not properly utilizing separate special cost centers to track federal grant years. Without proper account records to support the reported figures, there could arise questions on the validity of these figures.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|--|
| Finding Number | 2012-04 (Continued) |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost and Material Weakness – Reporting (Continued)

In addition, for the Sciotoville Elementary Academy, some of the expenditure amounts reported were not properly supported as follows:

| Object | Amount Per Final Expenditure Report (FER) | Amount not Properly Supported |
|----------------------------|---|-------------------------------|
| Salaries | \$2,756.70 | \$2,756.70 |
| Retirement Fringe Benefits | 666.00 | 569.52 |
| Purchased Services | 5,750.00 | 1,280.00 |
| Supplies | 14,830.75 | 9,407.75 |
| TOTAL: | \$24,003.45 | \$14,013.97 |

The Amounts of \$2,756.70 and \$569.52 were determined to have been reported on the Final Expenditure Report for Fiscal Year 2011.

Support was not provided to evidence expenditures for the amounts of \$1,280 and \$9,407.75.

The total amount of \$14,013.97 is considered a questioned cost.

We recommend utilizing system generated reports in order to fill out the Final Expenditure Report. These reports should be maintained to adequately support the figures reported. We also recommend the Sciotoville Community School and Elementary Academy properly utilize special cost centers to track federal grants. We further recommend the Schools ensure that all expenditures made from federal funds are for an allowable purpose in accordance with the grant guidelines.

Officials' Response:

Unfortunately in this case, as I discussed with the Audit Manager, I cannot determine what numbers I used to finalize the Final Expenditure Report (FER). I believe that with two schools while doing the FERs, I inadvertently mixed up reports when entering my data. It is difficult at times with two sets of records in this office and mistakes are made.

I have reorganized my office recently to allow for easier access to the separate school information and am trying very hard to make sure everything is correct and properly accounted for. I will be sure to review more than once the data I am entering to ensure proper accounting.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|--|
| Finding Number | 2012-05 |
| CFDA Title and Number | Title I, Part A Cluster – CFDA # 84.010 & # 84.389 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation and Material Weakness – Special Tests & Provisions – ARRA Separate Accountability

2 C.F.R. Section 176.210, requires recipients to maintain records that adequately identify the source and application of ARRA awards; separately identify to each subrecipient; and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards and Data Collection Form and require their subrecipients to provide similar identification in their Schedule of Expenditures of Federal Awards and Data Collection Form.

Ohio Department of Education required subrecipients to report Title I ARRA funds separately for Fiscal Year 2010 and 2011 in Fund 572 with Special Cost Center 932N and 932O, respectively. Although there were no fiscal year 2012 Title I ARRA awards for schools, the Scioto Elementary Academy received a 2012 Title I ARRA Allocation of \$24,625 with a substantially approved date of June 8, 2012 and a Project End Date of June 30, 2012 and the Scioto Community School received a 2012 Title I ARRA Allocation of \$8,212 with a substantially approved date of May 18, 2012 and a Project End Date of June 30, 2012.

Although Final Expenditure Reports were submitted for the Scioto Elementary Academy reporting expenditures of \$24,003.45 and for the Scioto Community School reporting expenditures of \$8,211.93, separate funds were not established to track the activity of the related grants. Grant receipts were not received during fiscal year 2012 for these grants.

This could lead to difficulties in properly reporting amounts to the Ohio Department of Education and identifying actual expenditures for amounts reported in the Final Expenditure Report. (See Finding Number 2012-04)

Officials' Response:

New funds were not established for the additional ARRA funds that were received in FY 12. The money was receipted into the FY 11 ARRA funds.

In the future, I will make sure to start a new fund for all federal grants and program years to properly identify funds.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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| | |
|------------------------------------|-------------------------------------|
| Finding Number | 2012-06 |
| CFDA Title and Number | Education Jobs Fund – CFDA # 84.410 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Significant Deficiency

In order to properly track and monitor federal expenditures for compliance with federal guidelines, the Sciotoville Community Schools should maintain accounting records that allow for accurate accounting of each federal grant separately. Ohio Department of Education (ODE) Policy and Guidance, Education Jobs (Ed Jobs) Guidance Document, School Finance Guidance Document Number 2010-001 Effective March 4, 2011 indicated USAS Fund 504 will be created to accommodate accounting for these funds. It further indicated that Local Educational Agencies (LEAs) must assign a special cost center to delineate funding further within that fund, typically by fiscal year, for the entity and ODE will not designate special cost centers for these funds.

It was noted during testing that the School did not create a separate fund to track the activity of the Elementary Academy's Education Jobs (Ed Jobs) grant. Instead, the School waited until time for submission of the Final Expenditure Report (FER) to the Ohio Department of Education (ODE) and then made a memorandum entry to move the expenditures from the General Fund to the Education Jobs (Ed Jobs) Fund. We note however this entry was not posted to the system until January 2013 although the Final Expenditure Report (FER) was submitted on September 30, 2012. This makes it difficult to determine whether the School waited until time for submission of the Final Expenditure Report (FER) and then determined which employees paid from the General Fund would be paid with this grant or whether the individuals had already been identified.

Although the expenditures identified as representing amounts reported on the FER were allowable and did not result in noncompliance, improper tracking of this activity would make it difficult for the School to ensure it complied with all federal guidelines associated with the grant. It could also make it difficult to ensure all funding is being properly utilized since a budget versus actual fund comparison could not be performed. We noted during our testing that for both schools the following amounts were budgeted and spent:

Sciotoville Community School

Total budget was \$128,548.77. Total amount reported as expended on the FER was \$86,635.58. This left remaining funds of \$41,913.19 that were unutilized by the School.

Elementary Academy

Total budget was \$61,328.31. Total amount reported as expended on the FER was \$53,482.99. This left remaining funds of \$7,845.32 that were unutilized by the School.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|-------------------------------------|
| Finding Number | 2012-06 (Continued) |
| CFDA Title and Number | Education Jobs Fund – CFDA # 84.410 |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Significant Deficiency (Continued)

This indicates the School did not utilize all of the Ed Jobs funding it was allocated which could be the result of not properly tracking the funds and not performing budget versus actual grant activity comparisons.

We recommend the Sciotoville Community School and Elementary Academy ensure all federal monies are tracked in their own separate funds and cost centers according to Ohio Department of Education Policy and Guidance. We further recommend that budget versus actual comparisons be performed for individual grant activity to ensure monies are being spent in accordance with the approved budget and to prevent the Schools from overspending or underspending grant monies.

Officials' Response:

A timely accounting was not done for the Education Jobs grant monies. While the auditor's did not note a noncompliance, I did not account in a timely fashion the expenditures that were coming out of Education Jobs grant monies.

In the future, a monthly review of all federal programs will be done to ensure that expenditures are properly accounted for.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(B)
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|---|
| 2011-01 | Questioned cost and material weakness regarding salaries and benefits charged to ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394 which were expended for unallowable positions. | Yes | |
| 2011-02 | Noncompliance citation and material weakness relating to cash management for the ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394 in which monies were not being spent within 30 days of receipt. | Yes | Fully Corrected by June 30, 2012 |
| 2011-03 | Noncompliance citation and material weakness relating to special tests and provisions ARRA separate accountability in which proper funds were not used for ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394 and Title I, Part A Cluster – CFDA # 84.010 and 84.389. | No | Not Corrected. Reissued as Finding Number 2012-05 |

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2012**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2012-01 | <p>As noted in the finding, minute records did not make it to the official book. They had been typed and were on our computers however they did not get printed in the minute book. The Board was being presented the CHECKPY and RECLED reports which documented the receipts and expenditures for each month in the Treasurer's Report. Also noted appendices are kept with the Board packet and not in the minute record. If a request was made for an appendix it was retrieved from the minute packet and copied.</p> <p>After discussion with a representative of the Auditor's Office, appendices will now be incorporated into the official minute record instead of the minute support packet. Also our office will strive to get the minutes into the Board book in a more timely fashion.</p> | FY 2013 | Kelli Hunter, Treasurer |
| 2012-02 | <p>During the year, previous grants had remaining balances that needed to be adjusted to be included in the current fiscal year. These funds were not adjusted but need to be. Also, some receipts had been posted to the wrong funding year.</p> <p>I will do a review of funds and determine the amounts that need to be corrected and do so prior to the end of the current fiscal year (FY 2013). In addition, I will review all receipts to ensure proper posting.</p> | FY 2013 | Kelli Hunter, Treasurer |
| 2012-03 | <p>This finding stated Title I ARRA expenditures were obligated outside the period of availability.</p> <p>A review will be done on all federal programs to determine availability dates and charges to ensure that this does not happen again.</p> | FY 2013 | Kelli Hunter, Treasurer |
| 2012-04 | <p>Unfortunately in this case, as I discussed with the Audit Manager, I cannot determine what numbers I used to finalize the Final Expenditure Report (FER). I believe that with two schools while doing the FERs, I inadvertently mixed up reports when entering my data. It is difficult at times with two sets of records in this office and mistakes are made.</p> <p>I have reorganized my office recently to allow for easier access to the separate school information and am trying very hard to make sure everything is correct and properly accounted for. I will be sure to review more than once the data I am entering to ensure proper accounting.</p> | FY 2013 | Kelli Hunter, Treasurer |

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2012
(Continued)**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2012-05 | <p>New funds were not established for the additional ARRA funds that were received in FY 12. The money was receipted into the FY 11 ARRA funds.</p> <p>In the future, I will make sure to start a new fund for all federal grants and program years to properly identify funds.</p> | FY 2013 | Kelli Hunter, Treasurer |
| 2012-06 | <p>A timely accounting was not done for the Education Jobs grant monies. While the auditor's did not note a noncompliance, I did not account in a timely fashion the expenditures that were coming out of Education Jobs grant monies.</p> <p>In the future, a monthly review of all federal programs will be done to ensure that expenditures are properly accounted for.</p> | FY 2013 | Kelli Hunter, Treasurer |

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Dave Yost • Auditor of State

SCIOTOVILLE COMMUNITY SCHOOL

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 2, 2013