

**Pschtecin Public School
Franklin County, Ohio**

Basic Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pschtecin Public School, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 5, 2013

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PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO
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December 7, 2012

To the Board of Directors
Pschtecin Public School
985 Mediterranean Avenue
Columbus, OH 43229

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Pschtecin Public School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School, as of June 30, 2012, and the respective changes in financial position and 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 December 7, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pschtecin Public School
Independent Auditor's Report
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rea & Associates, Inc.

PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Our discussion and analysis of Pschtecin Public School (the School) financial performance provides an overall review of the Schools' 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

Key financial highlights for fiscal year 2012 are as follows:

- Total net assets decreased \$(69,761), or 66% from 2011.
- Total liabilities increased \$8,773, or 22%, while total assets decreased \$60,988, or 42% from 2011.
- Total revenue decreased from \$ 858,529 in fiscal year 2011 to \$713,826 in fiscal year 2012, a 17% decrease.
- Total expenses decreased from \$829,368 in fiscal year 2011 to \$783,587 in fiscal year 2012, a 6% decrease from 2011.
- The School has no long term liabilities as of June 30, 2012.

Using this Financial Report

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

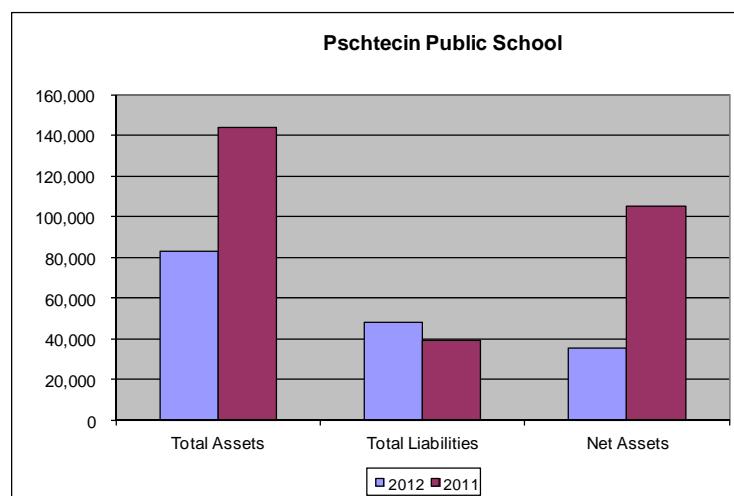
The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets reflect how the School did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2012. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.



**PSCHTECIN PUBLIC 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 as of June 30, 2012 compared to the prior year.

**(Table 1)
Statement of Net Assets**

	2012	2011
Assets		
Current Assets	\$ 68,561	\$ 119,557
Non-Current Assets	14,500	24,492
Total Assets	83,061	144,049
Liabilities		
Current Liabilities	47,918	39,145
Total Liabilities	47,918	39,145
Net Assets		
Investment in Capital Assets	12,500	24,492
Unrestricted	22,643	80,412
Total Net Assets	\$ 35,143	\$ 104,904

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2012, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the school as a whole, the financial position of the school has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Total assets decreased in 2012 due to reductions in revenues from grants. Capital assets decreased by \$9,992 due to annual depreciation on existing furniture, fixtures, and equipment. Also, current assets decreased \$50,996, or 35% from 2011. Liabilities increased by \$8,773 and net assets decreased by \$69,761 in 2012. Liabilities increased primarily due to outstanding invoices on accounts payable due the management group at year end of fiscal year 2012.

**PSCHTECIN PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Table 2 shows change in Net Assets for fiscal year 2012 compared with fiscal year 2011.

**Table 2
Changes in Net Assets**

	2012	2011
<u>Operating Revenues</u>		
Foundation	\$ 564,785	\$ 511,670
Miscellaneous Operating	601	260
<u>Non-Operating Revenues</u>		
Grants	148,440	346,599
Total Revenues	<u>713,826</u>	<u>858,529</u>
<u>Operating Expenses</u>		
Salaries	264,855	265,615
Fringe Benefits	69,054	74,833
Purchased Services	403,944	417,909
Materials and Supplies	19,376	35,661
Depreciation	9,992	23,174
Other	<u>16,366</u>	<u>12,176</u>
Total Expenses	<u>783,587</u>	<u>829,368</u>
Total Increase (Decrease) in Net Assets	<u>\$ (69,761)</u>	<u>\$ 29,161</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up 79% of all revenues for the School in fiscal year 2012. The primary reason for the decrease in overall revenues from 2011 was the elimination of the stimulus dollars allocated from the federal government. These grants were temporary in nature and have concluded.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

PSCHTECIN PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School has \$12,500 in net capital assets. See Note 4 to the basic financial statements.

Debt

At June 30, 2012, the School had \$0 in outstanding debt.

Current Financial Related Activities

During the fiscal year ended June 30, 2012, there were approximately 85 students enrolled in the School. The School receives its finances mostly from the State foundation and Federal and State grants. In order to continually provide learning opportunities to students of the School, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. Martin Ashley, Superintendent, 975 Mediterranean Ave, Columbus, Ohio 43229 or at mashley875@sbcglobal.net.

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**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Net Assets
June 30, 2012**

Assets

Current Asset

Cash and Cash Equivalents	\$ 44,684
Accounts Receivable	1,167
Intergovernmental Receivable	<u>22,710</u>
Total Current Assets	<u>68,561</u>

Noncurrent Assets

Security Deposit	2,000
Depreciable Capital Assets, net	<u>12,500</u>
Total Non-Current Assets	<u>14,500</u>
Total Assets	<u>83,061</u>

Liabilities

Current Liabilities

Accounts Payable	27,605
Accrued Wages and Benefits	6,046
Intergovernmental Payable	<u>14,267</u>
Total Current Liabilities	<u>47,918</u>
Total Liabilities	<u>47,918</u>

Net Assets

Investment in Capital Assets	12,500
Unrestricted	<u>22,643</u>
Total Net Assets	<u>\$ 35,143</u>

See accompanying notes to the basic financial statements

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

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

Operating Revenues

State Aid	\$ 564,785
Other Operating	<u>601</u>
Total Operating Revenues	<u>565,386</u>

Operating Expenses

Salaries	264,855
Fringe Benefits	69,054
Purchased Services	403,944
Materials and Supplies	19,376
Depreciation	9,992
Other	<u>16,366</u>

Total Operating Expenses 783,587

Operating Income (218,201)

Non-Operating Revenues (Expenses)

Grants	<u>148,440</u>
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Total Non-Operating Revenues (Expenses) 148,440

Change in Net Assets (69,761)

Net Assets Beginning of Year 104,904

Net Assets End of Year \$ 35,143

See accompanying notes to the basic financial statements

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 536,575
Cash Received from Other Operating Sources	11,274
Cash Payments to Employees for Services	(269,545)
Cash Payments for Employee Benefits	(81,908)
Cash Payments to Suppliers for Goods and Services	(384,568)
Other Cash Payments	<u>(16,366)</u>

Net Cash Used for Operating Activities (204,538)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants 143,550

Net Decrease in Cash and Cash Equivalents (60,988)

Cash and Cash Equivalents Beginning of Year 105,672

Cash and Cash Equivalents End of Year \$ 44,684

**Reconciliation of Operating Gain (Loss) to Net Cash
Provided by (Used in) Operating Activities**

Operating Gain (Loss) \$ (218,201)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	9,992
Changes in Assets and Liabilities:	
Accounts Receivable	1,167
Intergovernmental Receivable	(10,066)
Prepaid Items	1,241
Accounts Payable	26,316
Accrued Wages and Benefits	(4,689)
Intergovernmental Liabilities	<u>(10,228)</u>

Net Cash Provided by (Used in) Operating Activities \$ (204,538)

See accompanying notes to the basic financial statements

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**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

1. DESCRIPTION OF THE ENTITY

The Pschtecin Public School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code exclusively for educational purposes. The School's mission is to provide fifteen to twenty-one year old students an eighth through twelfth grade educational program with a better option to achieve high academic standards. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes and as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School was approved for operation under a contract with the Lucas County Educational Service Center that began on April 28, 2005. The sponsorship was then assigned to Buckeye Community Hope Foundation ("BCHF") on July 21, 2005, and expired June 30, 2009. The sponsorship contract was renewed annually for fiscal year 2010, 2011 and 2012. The Governing Board of the School operates under a Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board of Directors controls the School's instructional/support facility staffed by 4 non-certified and 5 certified full-time teaching personnel who provide services to 85 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to a governmental nonprofit organization. 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 statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB Statements or Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The Statement of Revenues, Expenses and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year. Furthermore, the School must submit a five-year forecast to its Sponsor and the Ohio Department of Education, annually.

D. Cash and Cash Equivalents

All cash received by the School is deposited in accounts in the School's name. The School did not have any investments during fiscal year 2012.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. 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, improvements, however, are capitalized. Furniture and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related capital assets.

The following is the estimated useful lives for property, vehicles, furniture and equipment:

<u>Asset</u>	<u>Useful Life</u>
Computers, Furniture and Equipment	5 years

PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the state foundation and state disadvantaged pupil impact aid programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2012 school year totaled \$713,225.

G. Estimates

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

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets.

H. Operating Revenues and Expenses

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

I. 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 purchase by the School and an expense is recorded when used. The School has no Prepaids as of June 30, 2012.

PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2012, the book amount of the School's deposits was \$44,684 and the bank balance was \$49,708.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2012, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the (FDIC) up to \$250,000.

4. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2012, follows:

	BALANCE			BALANCE
	06/30/11	ADDITIONS	DISPOSALS	06/30/12
Capital Assets:				
Computers	\$ 59,236	\$ -	\$ -	\$ 59,236
Furniture Fixtures & Equipment	74,408	-	-	74,408
Total Capital Assets	133,644	-	-	133,644
Accumulated Depreciation				
Computers	(49,829)	(5,652)	-	(55,481)
Furniture Fixtures & Equipment	(61,323)	(4,340)	-	(65,663)
Total Accumulated Depreciation	(111,152)	(9,992)	-	(121,144)
Capital Assets, Being Depreciated, Net	\$ 22,492	\$ (9,992)	\$ -	\$ 12,500

5. INTERGOVERNMENTAL RECEIVABLE/PAYABLE

At June 30, 2012, The School had intergovernmental receivables in the amount of \$22,710. Intergovernmental receivables consist of federal assistance (CCIP) which eligibility requirements have been met (earned) at June 30, 2012, but the cash was not received by year end(\$5,323) and Foundation underpayments(\$17,387). The school also had \$14,267 in intergovernmental payables related to unpaid payroll taxes, retirement contributions and Foundation overpayments from fiscal year 2011.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

6. ACCOUNTS PAYABLE

Accounts Payable consists of obligations totaling \$27,605 at June 30, 2012, incurred during the normal course of conducting operations.

7. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were \$6,046 at June 30, 2012 which represents wages, with associated benefits, earned and not paid at June 30, 2012.

8. RISK MANAGEMENT

A. Property and Liability

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

Coverage	Limits of Coverage
Commercial General Liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Damage to rented premises	300,000
Medical expense	15,000
Personal injury	1,000,000
Business	
Automobile:	
Combined single limit	1,000,000
Business Personal	
Property:	
985 Mediterranean - \$250 deductible	25,000
997 Mediterranean - \$250 deductible	20,000
Umbrella	
Liability	
Each occurrence/aggregate	1,000,000
Retained limit	10,000

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

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2012.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

8. RISK MANAGEMENT (continued)

C. Employee Medical Benefits

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ 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 a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School contributions to SERS for the years ended 2012, 2011 and 2010 were \$11,556, \$8,160 and \$5,631, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

Plan Description – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 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 times a percentage that varies based on years of service, or an allowance based on 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

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$38,431, \$26,166 and \$20,419, respectively, of which 100% has been contributed.

The above is the latest information available.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

10. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement Systems

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$99.90; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2012, the actuarial required allocation is .75 percent The School's contributions for the years ended June 30, 2012, 2011 and 2010 were \$97, \$485, \$306 respectively.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2012, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. . The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$6,364, \$1,410 and \$3,669, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

10. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement Systems (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources

B. State Teachers Retirement System

Plan Description – The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,956, \$2,013 and \$1,550, respectively; 100 percent has been contributed for all fiscal years.

The above is the latest information available.

11. PURCHASED SERVICES

For the period July 1, 2011 through June 30, 2012, purchased service expenses were for the following services:

Professional Services	\$ 281,946
Property Services	54,858
Travel and Professional Development	7,058
Communications	15,665
Utilities	10,702
Trade Services	31,571
Transportation	2,144
Total	\$ 403,944

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

12. TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. 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.

13. OPERATING LEASES

The School entered into a School facility operating lease through September 14, 2006, with Rainbow Development Corporation, with an option to renew for four successive additional period of twelve months each. This lease was renewed on an annual basis starting September 15, 2011, through September 14, 2012, and renewed for an additional one year through 2013. Payments for operating leases totaled \$52,800 for the fiscal year ended June 30, 2012.

14. SPONSOR

The school was sponsored by Buckeye Community Hope Foundation ("BCHF") on July 21, 2005, and expired June 30, 2009. The sponsorship contract was renewed annually for fiscal year 2010, 2011 and 2012. Under this agreement, the school pays the Sponsor "up to" 3% of State Aid (see Note 3 G.). Sponsor fee expense at June 30, 2012 totaled \$16,187. For fiscal year 2013 and beyond the school has signed a Sponsorship agreement with North Central Ohio Education Service Center.

15. CONTINGENCIES

A. 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 are 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.

B. Full Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review for the 2011-12 school year has been performed, as of June 30, 2012. Based on this review an underpayment was identified and \$17,387 has been booked as an intergovernmental receivable.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

15. CONTINGENCIES (continued)

B. Full Time Equivalency (continued)

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

16. MANAGEMENT AGREEMENT

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

Per the management agreement with the School, MJ Ashley Realty LLC is entitled to up to \$140,000 fixed fee per year plus 15% of all gross revenues received as per-pupil allotment from the State of Ohio. The management fee paid for fiscal year 2012 totaled \$215,019. MJ Ashley Realty LLC is owned by Martin J. Ashley, Superintendent of the School and Marilyn J. Ashley.

17. RELATED PARTY TRANSACTIONS

The School contracts with MJ Ashley Realty LLC, which is owned by Martin Ashley, Superintendent of the School. MJ Ashley Realty received a total of \$215,019 during fiscal year 2012. This amount consisted of \$215,019 in management fees paid to Martin and Jeanie Ashley. These amounts are reflected in the purchased services line item on the statement of revenues, expenses and changes in net assets.

**PSCHTECIN PUBLIC SCHOOL
FRANKLIN COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

18. MANAGEMENT COMPANY EXPENSES

For fiscal year ended June 30, 2012, MJ Ashley Realty LLC incurred the following expenses, which are reported on cash-basis, on behalf of the School:

	<u>2012</u>
Expenses	
Direct Expenses:	
Salaries & wages	\$ 64,196
Employees' benefits	22,390
Professional & technical services	579
Property services	3,480
Travel	12,248
Communications	3,600
Utilities	1,656
Other supplies	720
Depreciation	6,000
Other direct costs	<u>1,306</u>
Total Expenses	<u>\$116,175</u>

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December 7, 2012

To the Board of Directors
Pschtecin Public School
985 Mediterranean Avenue
Columbus, OH 43229

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Pschtecin Public School, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Pschtecin Public School
Independent Auditors Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the school, the School's sponsor, and is not intended to be and should not be used by anyone other than those specified parties

Rea & Associates, Inc.



Dave Yost • Auditor of State

PSCHTECIN PUBLIC SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 19, 2013