



**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



SOUTH SCIOTO ACADEMY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

South Scioto Academy  
Franklin County  
707 East Jenkins Avenue  
Columbus, Ohio 43207

To the Board of Directors:

We have audited the accompanying financial statements of South Scioto Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Scioto Academy, Franklin County, Ohio, as of June 30, 2009, 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 December 4, 2009 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 4, 2009

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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The management's discussion and analysis of South Scioto Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- Net assets increased \$85,133, a 283% increase in net assets from 2008.
- Total assets increased \$79,725, an 37% increase from 2008. This was due primarily to an increase in cash and capital assets, only partially offset by decreases in receivables and prepaids.
- Liabilities decreased \$5,408, a 2.9% decrease from 2008. The decrease was due mainly to a decrease in trades payable due to the management company.

**Using this Annual 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.

**Statement of Net Assets**

The statement of Net Assets answers the question, "How did we do financially during 2009?" 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 the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years 2009 and 2008:

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

**TABLE 1**

<b>Assets</b>	2009	2008	Change
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 101,723	\$ 29,281	\$ 72,442
Intergovernmental Receivables	72,723	94,511	(21,788)
Prepaid Items	10,027	21,876	(11,849)
<i>Total Current Assets</i>	<u>184,473</u>	<u>145,668</u>	<u>38,805</u>
<b>Non-Current Assets:</b>			
<b>Capital Assets:</b>			
Depreciable Capital Assets, Net	110,717	69,797	40,920
<i>Total Non-Current Assets</i>	<u>110,717</u>	<u>69,797</u>	<u>40,920</u>
<i>Total Assets</i>	<u>295,190</u>	<u>215,465</u>	<u>79,725</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable - Trade	24,191	27,938	(3,747)
Accounts Payable - Related	155,746	116,629	39,117
Notes Payable	-	27,778	(27,778)
Loan from Management Company	-	13,000	(13,000)
<i>Total Current Liabilities</i>	<u>179,937</u>	<u>185,345</u>	<u>(5,408)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	110,717	69,797	40,920
Unrestricted	4,536	(90,206)	94,742
Restricted For:			
Other Purposes	-	50,529	(50,529)
<i>Total Net Assets</i>	<u>\$ 115,253</u>	<u>\$ 30,120</u>	<u>\$ 85,133</u>

Total net assets for the Academy increased \$85,133, due primarily to a decrease in liabilities and an increase in Cash by \$72,442 due to increased enrollment. Intergovernmental receivables decreased by \$21,788 from 2008 due primarily to the timing of receipt of grant funding. Capital assets, net of depreciation, increased \$40,920.



**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

Table 2 shows the changes in net assets for fiscal years 2009 and 2008, as well as a listing of revenues and expenses.

**TABLE 2**

	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>Operating Revenues</b>			
Foundation Payments	\$ 1,079,280	\$ 781,945	\$ 297,335
Food Services	203	386	(183)
Other Revenues	<u>1,586</u>	<u>25,000</u>	<u>(23,414)</u>
<i>Total Operating Revenues</i>	<u>1,081,069</u>	<u>807,331</u>	<u>273,738</u>
<b>Operating Expenses</b>			
Purchased Services	1,284,453	1,023,203	261,250
Materials and Supplies	79,752	93,167	(13,415)
Depreciation	29,658	19,189	10,469
Other	<u>46,579</u>	<u>44,674</u>	<u>1,905</u>
<i>Total Operating Expenses</i>	<u>1,440,442</u>	<u>1,180,233</u>	<u>260,209</u>
<i>Operating Loss</i>	<u>(359,373)</u>	<u>(372,902)</u>	<u>13,529</u>
<b>Non-Operating Revenues and Expenses</b>			
Federal Grants	440,797	346,231	94,566
State Grants	7,539	7,684	(145)
Interest and Fiscal Charges	<u>(3,830)</u>	<u>(6,719)</u>	<u>2,889</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>444,506</u>	<u>347,196</u>	<u>97,310</u>
<i>Change in Net Assets</i>	85,133	(25,706)	110,839
<i>Net Assets Beginning of Year</i>	<u>30,120</u>	<u>55,826</u>	<u>(25,706)</u>
<i>Net Assets End of Year</i>	<u>\$ 115,253</u>	<u>\$ 30,120</u>	<u>\$ 85,133</u>

Net assets (surplus) increased \$85,133. There was an increase in revenue of \$368,159 and an increase in expenses of \$263,098 from 2008. An increase in the number of pupils as well as increases in state and federal grants made up the increase in revenue. All operating expenses increased in 2009 across the board due to the increase in students and personnel and the increased grant revenue obtained.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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**Capital Assets**

At the end of fiscal year 2009, the Academy had \$110,717 invested in capital assets (net of depreciation).

TABLE 3

	2009	2008
Furniture, fixtures and equipment	\$ 110,717	\$ 69,797

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

**Current Financial Issues**

South Scioto Academy was formed in 2006 under a contract with the Educational Service Center of Franklin County. During the 2008-2009 school year there were 160 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2009 amounted to \$1,079,280.

**Contacting the School's Financial Management**

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of South Scioto Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at [don.ash@leonagroup.com](mailto:don.ash@leonagroup.com).

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 101,723
Intergovernmental Receivables	72,723
Prepaid Items	<u>10,027</u>
<i>Total Current Assets</i>	<u>184,473</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>110,717</u>
<i>Total Non-Current Assets</i>	<u>110,717</u>

<i>Total Assets</i>	<u>295,190</u>
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**Liabilities**

Current Liabilities:

Accounts Payable - Related Parties	155,746
Accounts Payable - Trade	<u>24,191</u>
<i>Total Current Liabilities</i>	<u>179,937</u>

**Net Assets**

Invested in Capital Assets	110,717
Unrestricted	<u>4,536</u>

<i>Total Net Assets</i>	<u><u>\$ 115,253</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Operating Revenues</b>	
Foundation Payments	\$ 1,079,280
Food Services	203
Other Revenues	<u>1,586</u>
<i>Total Operating Revenues</i>	<u>1,081,069</u>
<b>Operating Expenses</b>	
Purchased Services (Note 10)	1,284,453
Materials and Supplies	79,752
Depreciation	29,658
Other	<u>46,579</u>
<i>Total Operating Expenses</i>	<u>1,440,442</u>
<i>Operating Loss</i>	<u>(359,373)</u>
<b>Non-Operating Revenues and Expenses</b>	
Federal Grants	440,797
State Grants	7,539
Interest and Fiscal Charges	<u>(3,830)</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>444,506</u>
<i>Change in Net Assets</i>	85,133
<i>Net Assets Beginning of Year</i>	<u>30,120</u>
<i>Net Assets End of Year</i>	<u><u>\$ 115,253</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Increase (Decrease) in Cash and Cash Equivalents:**

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 1,079,280
Cash Received for Food Services	377
Cash Received from Other Operating Revenues	1,586
Cash Payments for Purchased Services	(1,245,335)
Cash Payments for General Materials and Supplies	(77,961)
Cash Payments for Other Operating Expenses	(34,730)
<i>Net Cash Used for Operating Activities</i>	(276,783)

Cash Flows from Noncapital Financing Activities:

Federal Grants Received	460,547
State Grants Received	9,403
Repayment of Short-Term Loans	(13,000)
Proceeds from Notes	250,000
Principal Payments	(277,778)
Interest Payments	(3,830)
<i>Net Cash Provided by Noncapital Financing Activities</i>	425,342

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(76,117)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(76,117)

<i>Net Increase in Cash and Cash Equivalents</i>	72,442
<i>Cash and Cash Equivalents at Beginning of Year</i>	29,281
<i>Cash and Cash Equivalents at End of Year</i>	\$ 101,723

**Reconciliation of Operating Loss to Net**

**Cash Used by Operating Activities:**

Operating Loss	\$ (359,373)
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**Adjustments to Reconcile Operating Loss to**

**Net Cash Used by Operating Activities**

Depreciation	29,658
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	174
(Increase)/Decrease in Prepaid Items	11,849
Increase/(Decrease) in Accounts Payable- Trade	1,791
Increase/(Decrease) in Accounts Payable- Related Parties	39,118
	29,118

<i>Total Adjustments</i>	82,590
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<i>Net Cash Provided by Operating Activities</i>	\$ (276,783)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

South Scioto Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Service Center of Franklin County (the Sponsor) for a period of five years commencing March 15, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Governing Board. The Governing Board 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 Governing Board controls the Academy's instructional/support facility staffed by one non-certified personnel and ten certificated teaching personnel who provide services to 160 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee. (See Note 13).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting**

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

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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

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

Expenses are recognized at the time they are incurred.

**D. 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 Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

**E. Capital Assets**

Capital assets 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 values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture and equipment, land, and buildings, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.



**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Capital Assets (Continued)**

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:

Furniture, Fixtures and Equipment	7 years
EDP Equipment	3 years
Non-EDP Equipment	6 years

**F. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**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. Accordingly, actual results could differ from those estimates.

**H. Security Deposit**

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling \$150,000, is held by the lessor, and was originally paid by the Leona Group. Per the lease agreement, the Leona Group receives yearly installments from the escrow holder to recoup the security deposit. The Academy has no liability for this money. (See Note 11)

**3. DEPOSITS**

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. RECEIVABLES**

Receivables at June 30, 2009, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Title I	\$	60,439
Federal Charter School Grant		8,367
Title V		67
Title IIA		540
Special Ed Part B		3,174
National School Lunch Program		136
Total Receivables		\$ 72,723

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
<b>Business-Type Activity</b>				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$ 97,643	\$ 70,579	-	\$ 168,221
Total Capital Assets	97,643	70,579	-	168,221
Being Depreciated				
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(27,846)	(29,658)	-	(57,504)
Total Accumulated Depreciation	(27,846)	(29,658)	-	(57,504)
Total Capital Assets				
Being Depreciated, Net	\$ 69,797	\$ 40,921	-	\$ 110,717

**6. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Academy contracted with Lexington Insurance Company for general liability, property insurance and educational errors and omissions insurance.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**6. RISK MANAGEMENT (continued)**

**A. Property and Liability (continued)**

Coverage is as follows:

Educator's Legal Liability:	
Per occurrence	\$1,000,000
Aggregate	3,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
BPP	1,000,000
BI	2,000,000
Umbrella	10,000,000

**B. Workers' Compensation**

The Academy 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.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2009, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2009, 2008, and 2007 were \$9,744, \$10,872, \$10,445, respectively; 91.2 percent has been contributed for fiscal year 2009 and 100% for fiscal year 2008 and 2007.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

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 on an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the DC 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. DC Plan and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC Plan or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2009, 2008 and 2007, were \$40,992, \$36,150, \$42,836, respectively; 91.2 percent has been contributed for fiscal year 2009 and 100% for fiscal year 2008 and 2007.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part b Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

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 401h. For 2009, 4.16 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 2009, this amount was \$4,459.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2009 and 2008 were \$4,459 and \$3,246, and \$3,708 respectively. 91.2 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2009 were \$804. 91.2 percent has been contributed for fiscal year 2009.

**State Teachers Retirement System**

The Academy 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](http://www.strsoh.org) or by calling (888) 227-7877.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

**State Teachers Retirement System (Continued)**

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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$3,153, \$2,582, and \$1,785 respectively. 91.2 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

**9. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education did not reveal any discrepancies for the 2009 fiscal year.

**10. PURCHASED SERVICE EXPENSES**

For the period ended June 30, 2009, purchased service expenses were payments for services rendered by various vendors, as follows:

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. PURCHASED SERVICE EXPENSES (Continued)**

Salaries	\$	449,887
Fringe Benefits		108,468
Repairs and maintenance		2,303
Legal		3,726
Advertising		19,240
Educational Service Center of Franklin County		21,619
The Leona Group, LLC.		259,694
Cleaning Services		18,619
Communications		1,545
Other professional services		164,910
Other rentals and leases		9,084
Building lease agreements		225,359
Total Purchased Services		\$ 1,284,453

**11. OPERATING LEASES**

The Academy has entered into a lease for the period July 1, 2006 through June 30, 2011 with TG707, Inc. Payments made totaled \$225,000 for the fiscal period. The Academy has the option to extend the lease for one, additional five-year term. The annual Base Rent for the extended term shall be \$185,000.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2009.

Fiscal Year Ending June 30,	<u>Facility Lease</u>
2010	225,000
2011	225,000
Total minimum lease payments	\$ 450,000

**12. NOTES PAYABLE**

Debt Activity During 2009 was as follows:

	Balance at 07/01/08	Additions	Reductions	Balance at 06/30/09
Note Payable-Charter One Bank	\$ 27,778	\$ 250,000	\$ 277,778	\$ -

The Academy entered into a loan with Charter One Bank for \$250,000 on September 15, 2008. The note was used to pay for general operations of the Academy. The note has a floating interest rate equal to the Prime Rate and has a maturity date of June 30, 2009. Charter One Bank performed automatic debits to collect monthly loan amounts due and collected the final amount on June 30, 2009. There were no penalties or late fees.

**SOUTH SCIOTO ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT**

The Academy entered into a five-year contract, effective June 1, 2006 through June 30, 2011, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. The amount paid to TLG for fiscal period 2009 totaled \$174,562. Terms of the contracts require TLG to provide the following:

- A. implementation and administration of the Educational Program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona group, LLC. These expenses include rent, salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services.

At June 30, 2009, the Academy had payables to The Leona Group, LLC in the amount of \$155,746. The following is a schedule of payables to The Leona Group, LLC.:

Capitation Fee	\$	85,131
Accrued Wages Payable		59,354
STRS/SERS Payable		5,154
Miscellaneous		6,107
Total Expenses		\$ 155,746

**14. SUBSEQUENT EVENT**

The Academy entered into a loan agreement with RBS Citizens, N.A. on August 18, 2009 with a maturity date of June 30, 2010. This agreement provided the Academy with \$75,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

The Academy has budgeted to receive over \$180,000 in ARRA monies during the 2009-2010 school year.





# Mary Taylor, CPA

Auditor of State

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

South Scioto Academy  
Franklin County  
707 East Jenkins Avenue  
Columbus, Ohio 43207

To the Board of Directors:

We have audited the financial statements of South Scioto Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Academy's management in a separate letter dated December 4, 2009.

### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated December 4, 2009.

We intend this report solely for the information and use of management, Board of Directors and the Central Ohio Educational Service Center. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 4, 2009



# Mary Taylor, CPA

Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

South Scioto Academy  
Franklin County  
707 East Jenkins Avenue  
Columbus, Ohio 43207

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether South Scioto Academy, Franklin County, Ohio has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy during fiscal year 2008 and adopted a revision to this policy at its meeting on February 23, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported.
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 4, 2009



**Mary Taylor, CPA**  
Auditor of State

**SOUTH SCIOTO ACADEMY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 5, 2010**