SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Mary Taylor, CPA
Auditor of State

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

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Mary Taylor, CPA
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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, 2010, 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 financial position of the of South Scioto Academy, Franklin County, Ohio, as of June 30, 2010, and the change in 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 November 8, 2010, 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.

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The 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.

Mary Taylor, CPA
Auditor of State

November 8, 2010

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, 2010. 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

- In total, net assets (surplus) increased $78,757, which represents a 71% increase in net assets from 2009.

- Total assets increased $91,401, which is a 24% increase from 2009. This was due primarily to increases in cash and intergovernmental receivables.

- Liabilities increased $12,644, which represents a 7% increase from 2009. This is mainly the result of the recording of a liability 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 2010?" 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 I provides a summary of the Academy's net assets for fiscal years 2010 and 2009:

TABLE I

	Governmental Activities		
Assets	2010	2009	Change
Current Assets	$300,097	$180,186	$119,911
Capital Assets - Net	82,207	110,717	(28,510)
Total Assets	382,304	290,903	91,401
Liabilities			
Current Liabilities	192,581	179,937	12,644
Total Liabilities	192,581	179,937	12,644
Net Assets			
Invested in Capital Assets	82,207	110,717	(28,510)
Restricted	43,451	0	0
Unrestricted	64,065	249	63,816
Total Net Assets	$189,723	$110,966	$78,757

Total net assets for the Academy increased $78,757, due primarily to a large increase in intergovernmental receivables. Cash increased by $40,404. Intergovernmental receivables increased by $78,515 from 2009 due primarily to the timing of receipt of grant funding. Capital assets, net of depreciation, decreased $28,510 due to the net effect of depreciation and new capitalized leasehold improvements. Independent Accountants' Report

Table 2 shows the changes in net assets (deficit) for fiscal years 2010 and 2009, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities		
	2010	2009	Change
Operating Revenues			
Foundation Payments	$1,104,330	$1,079,280	$25,050
Food Services	0	203	(203)
Other	1,570	1,586	(16)
Total Operating Revenues	1,105,900	1,081,069	24,831
Operating Expenses			
Purchased Services	1,325,885	1,284,453	41,432
Materials and Supplies	45,137	79,752	(34,615)
Depreciation	41,903	29,658	12,245
Other	37,502	46,579	(9,077)
Total Operating Expenses	1,450,427	1,440,442	9,985
Operating Loss	(344,527)	(359,373)	14,846
Non-Operating Revenues and Expenses			
Federal Grants	448,411	436,510	11,901
State Grants	7,720	7,539	181
Other	21		21
Interest and Fiscal Charges	(32,868)	(3,830)	(29,038)
Total Non-Operating Revenues and Expenses	423,284	440,219	(16,935)
Change in Net Assets	78,757	80,846	(2,089)
Net Assets Beginning of Year	110,966	30,120	80,846
Net Assets End of Year	$189,723	$110,966	$78,757

Net assets (surplus) increased $78,757. There was an increase in revenue of $36,934 and an increase in expenses of $39,023 from 2009. The increase in revenues was a net effect of the elimination of Charter School Grant funds and the addition of Economic Recovery Act funds.

Capital Assets

At the end of fiscal year 2010, the Academy had $82,207 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2009 and 2010.

TABLE 3

	2010	2009
Furniture, fixtures and equipment	$82,207	$110,717

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 2009-2010 school year there were 174 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2010 amounted to $1,104,330.

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.

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 142,127
Intergovernmental Receivables	146,951
Prepaid Items	11,019
Total Current Assets	300,097
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	82,207
Total Non-Current Assets	82,207
Total Assets	382,304
Liabilities	
Current Liabilities:	
Accounts Payable - Related Parties	170,825
Accounts Payable - Trade	21,354
Intergovernmental Payable	402
Total Current Liabilities	192,581
Net Assets	
Invested in Capital Assets	82,207
Restricted	43,451
Unrestricted	64,065
Total Net Assets	$ 189,723

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, 2010

Operating Revenues	
Foundation Payments	$ 1,104,330
Other Revenues	1,570
Total Operating Revenues	1,105,900
Operating Expenses	
Purchased Services (Note 10)	1,325,885
Materials and Supplies	45,137
Depreciation	41,903
Other	37,502
Total Operating Expenses	1,450,427
Operating Loss	(344,527)
Non-Operating Revenues and Expenses	
Federal Grants	448,411
State Grants	7,720
Contributions and Donations	21
Interest and Fiscal Charges	(32,868)
Total Non-Operating Revenues and Expenses	423,284
Change in Net Assets	78,757
Net Assets Beginning of Year	110,966
Net Assets End of Year	$ 189,723

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 1,104,330
Cash Received from Other Operating Revenues	1,570
Cash Payments for Purchased Services	(1,339,825)
Cash Payments for General Materials and Supplies	(50,246)
Cash Payments for Other Operating Expenses	(38,495)
Net Cash Used for Operating Activities	(322,666)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	369,759
State Grants Received	7,856
Proceeds from Notes	75,000
Principal Payments	(75,000)
Interest Payments	(1,146)
Contributions and Donations	21
Net Cash Provided by Noncapital Financing Activities	376,490
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(13,420)
Net Cash Used for Capital and Related Financing Activities	(13,420)
Net Increase in Cash and Cash Equivalents	40,404
Cash and Cash Equivalents at Beginning of Year	101,723
Cash and Cash Equivalents at End of Year	$ 142,127
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (344,527)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	41,903
Changes in Assets and Liabilities:	
(Increase)/Decrease in Prepaid Items	(992)
Increase/(Decrease) in Accounts Payable - Related Parties	(16,643)
Increase/(Decrease) in Accounts Payable - Trade	(2,809)
Increase/(Decrease) in Intergovernmental Payable	402
Total Adjustments	21,861
Net Cash Provided by Operating Activities	$ (322,666)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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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 eight non-certificated personnel and fourteen certificated teaching personnel who provide services to 174 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.

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. Software costing more than $10,000 per application is also capitalized. 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.

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 and Software	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.

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.

4. RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

4. RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

Intergovernmental Receivables	Amounts
Title I	$ 77,075
Title I ARRA	27,377
Title IIa	9,037
Title IId	2,720
IDEA Part B ARRA	19,280
National School Lunch Program - Breakfast	3,235
National School Lunch Program - Lunch	8,227
Total Receivables	$ 146,951

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$168,221	13,392	-	$181,613
Buildings	-		-	-
Total Capital Assets Being Depreciated	168,221	13,392	-	181,613
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(57,504)	(41,903)	-	(99,407)
Buildings	-		-	-
Total Accumulated Depreciation	(57,504)	(41,903)	-	(99,407)
Total Capital Assets Being Depreciated, Net	$110,717	(28,510)	-	$82,207

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 2010, the Academy contracted with Philadelphia Insurance Company for general liability, property insurance and educational errors and omissions insurance.

6. RISK MANAGEMENT (Continued)

A. Property and Liability (Continued)

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability, each claim	$5,000,000
Part 2, Employment Practices, each claim	5,000,000
Aggregate, All Parts	10,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal and ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
BPP	210,000
BI	1,000,000
Umbrella	9,000,000

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, 2010, 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 2010, 12.78 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, 2010, 2009, and 2008, were $15,090, $9,744 and $10,872 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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, 2010, 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, 2010, 2009, and 2008 were $51,256, $40,992, and $36,150 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. The Academy has not yet been billed for any surcharge for fiscal year 2010.

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, 2010, 2009 and 2008 were $543, $4,459 and $3,246 respectively. 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2010 were $897. 100 percent has been contributed for fiscal year 2010.

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 or by calling (888) 227-7877.

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, 2010, 2009 and 2008 respectively were $3,943, $3,153 and $2,582 respectively. 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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, 2010.

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 2010 fiscal year.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$ 453,617
Fringe Benefits	149,440
Repairs and maintenance	4,315
Advertising	12,314
Educational Service Center of Franklin County	21,834
The Leona Group, LLC.	261,949
Cleaning Services	21,069
Communications	6,882
Other professional services	159,932
Other rentals and leases	9,534
Building lease agreements	225,000
Total Purchased Services	$ 1,325,885

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.

A security deposit in the amount of $150,000 less annual refunds in the amount of $20,000 is held by the landlord. The amount being held at June 30, 2010 was $90,000. If the Academy doesn't renew the lease in 2011 the entire amount will be refunded to the Academy. If lease is renewed all but approximately $30,000 will be refunded.

11. OPERATING LEASES (Continued)

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2010.

Fiscal Year Ending June 30,	Facility Lease
2011	225,000
Total minimum lease payments	$ 225,000

12. NOTES PAYABLE

Debt Activity during fiscal year 2010 was as follows:

	Balance at 07/01/09	Additions	Reductions	Balance at 06/30/10
Note Payable-Charter One Bank	$ -	$ 75,000	$ 75,000	$ -

The Academy entered into a loan with Charter One Bank for $75,000 on August 18, 2009. 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, 2010. Charter One Bank performed automatic debits to collect monthly loan amounts due and collected the final amount on June 25, 2010. There were no penalties or late fees.

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 2010 totaled $261,949. 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.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (Continued)

For the year ended June 30, 2010, those expenses are as follows:

Salaries and Wages	$ 453,617
Benefits	149,440
Professional and Technical Services	14,251
Communications	335
Contracted Craft or Trade Services	1,152
Other Supplies	3,630
Other Direct Costs	1,500
Total Expenses	$ 623,926

In 2006, The Leona Group, LLC. paid $150,000, on behalf of the Academy, for the security deposit on the rental property they occupy (see note 11). The Academy signed a Demand Business Promissory Note from The Leona Group, LLC. stating that they would pay back the security deposit amount if the Academy was to cancel the operating lease. The Academy is only obligated to pay The Leona Group interest on the Note with a prime rate fluctuating from 8.25% to 3%. The interest payable is included in the Accounts Payable noted in the table below. Annual refunds against the security deposit are remitted to The Leona Group and applied to the outstanding note.

At June 30, 2010, the Academy had payables to The Leona Group, LLC in the amount of $170,825. The following is a schedule of payables to The Leona Group, LLC:

	Amount
Miscellaneous	1,724
Interest on Security Deposit Loan	31,722
STRS/SERS Payable	866
Accrued Wages Payable	40,123
Management Fees	96,391
Total Payables	$ 170,825

14. RESTATEMENT OF NET ASSETS

In January 2010, the Academy was informed that Charter School Grant revenues that had been awarded and accrued for the 2008/2009 fiscal year were no longer available. Therefore this accrual was removed from beginning net assets.

NET ASSETS, JUNE 30, 2009	ADJUSTMENT	RESTATED BALANCE, JUNE 30, 2010
$115,253	$(4,287)	$110,966

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, 2010, and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 8, 2010.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 8, 2010

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
DECEMBER 9, 2010

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