SCIOTOVILLE ELEMENTARY ACADEMY
SCIOTO COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

SCIOTOVILLE ELEMENTARY ACADEMY
SCIOTO COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sciotoville Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Sciotoville Elementary Academy, Scioto County, Ohio (the Elementary Academy), a component unit of the Sciotoville Community School, Scioto County, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Elementary Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sciotoville Elementary Academy, Scioto County, Ohio, as of June 30, 2017, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Elementary Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Elementary Academy has merged with the Sciotoville Community School, effective August 23, 2017. The financial statements do not include any adjustments that might result from the outcome of this merger. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018, on our consideration of the Elementary 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elementary Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2018

The discussion and analysis of the Sciotoville Elementary Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

- Net Position increased $16,817 which was due to current year revenues exceeding current year expenses.
- Total revenues decreased $85,616 while total expenses increased $16,817. The Academy's expenses for purchased services decreased which offset a decrease in other federal and State grants revenue.

Using this Financial Report

This report consists of three parts, Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during fiscal year 2017?" These statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and liabilities and deferred inflows of resources are reported, both short and long-term. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the fiscal year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net position for fiscal year 2017 and fiscal year 2016:

(Table 1)
Net Position

	2017	2016	Increase/ (Decrease)
Assets:			
Current Assets	$672,279	$667,263	$5,016
Depreciable Capital Assets, Net	214,062	237,494	(23,432)
Total Assets	$886,341	$904,757	($18,416)

(continued)

(Table 1)
Net Position
(continued)

	2017	2016	Increase/ (Decrease)
Deferred Outflow of Resouces:			
Pension	$380,533	$179,934	$200,599
Liabilities:			
Current Liabilities	122,685	127,480	(4,795)
Non-Current Liabilities	1,793,310	1,638,816	154,494
Total Liabilities	1,915,995	1,766,296	149,699
Deferred Inflow of Resouces:			
Pension	323,367	297,651	25,716
Net Position:			
Invested in Capital Assets	214,062	237,494	(23,432)
Restricted for Federal Grants	1,800	39,054	(37,254)
Unrestricted (Deficit)	(1,188,350)	(1,255,804)	67,454
Total Net Position (Deficit)	($972,488)	($979,256)	$6,768

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2 Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Depreciable Capital Assets, Net decreased $23,432 due to current year depreciation.

Invested in Capital Assets decreased $23,432 due to current year depreciation.

Total net position increased $6,768 which is insignificant.

Table 2 shows the changes in net position for fiscal year 2017 and fiscal year 2016, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Position

	2017	2016	Increase/ (Decrease)
Operating Revenues:			
Foundation Payments	$1,044,100	$1,055,227	($11,127)
Other Revenues	70,956	4,786	66,170
Non-Operating Revenues:			
Other Federal and State Grants	111,498	180,389	(68,891)
Other Grants	25,390	96,867	(71,477)
Other Non-Operating Revenues	271	562	(291)
Total Revenues	1,252,215	1,337,831	(85,616)
Operating Expenses:			
Salaries	657,749	601,100	56,649
Fringe Benefits	246,806	187,551	59,255
Purchased Services	234,447	346,621	(112,174)
Materials and Supplies	62,275	45,267	17,008
Depreciation	23,432	28,776	(5,344)
Other Expenses	20,738	19,315	1,423
Total Expenses	1,245,447	1,228,630	16,817
Change in Net Position	6,768	109,201	(102,433)
Net Position (Deficit) at Beginning of Year	(979,256)	(1,088,457)	109,201
Net Position (Deficit) at End of Year	($972,488)	($979,256)	$6,768

Net Position increased $6,768 compared to the prior fiscal year.

Purchased Services decreased $112,174 from 2016 due to the Academy only paying half of the year's typical expenditures to the Community School due to the impending merger after the fiscal year end. Salaries and benefits increased $115,904 as a result of the Academy giving step increases and adding work days to their schedule.

Capital Assets

At the end of fiscal year 2017, the Academy had $214,062 invested in land improvements, buildings and improvements, and furniture, fixtures and equipment, which represented a decrease of $23,432 compared to the prior fiscal year. The decrease was a result of current fiscal year depreciation.

For more information on capital assets see Note 6 to the basic financial statements.

Contacting the Academy's Financial Management

This 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 money it receives. If you have questions about this report or need additional information, contact Nathan Webb, Treasurer by calling (740) 776-6777 extension 227, writing to the Sciotoville Elementary Academy, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at Nathan.Webb@tartan.k12.oh.us.

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SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Net Position

June 30, 2017

Assets:	
Current Assets:	
Cash and Cash Equivalents	$639,977
Intergovernmental Receivables	30,934
Prepaid Items	1,368
Total Current Assets	672,279
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	214,062
Total Assets	886,341
Deferred Outflows of Resources:	
Pension	380,533
Liabilities:	
Current Liabilities:	
Accrued Wages and Benefits Payable	106,618
Intergovernmental Payable	16,067
Total Current Liabilities	122,685
Non-Current Liabilities:	
Due In More Than One Year	
Net Pension Liability (See Note 8)	1,793,310
Total Liabilities	1,915,995
Deferred Inflows of Resources:	
Pension	323,367
Net Position:	
Invested in Capital Assets	214,062
Restricted for Federal Grants	1,800
Unrestricted (Deficit)	(1,188,350)
Total Net Position (Deficit)	($972,488)

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Operating Revenues:	
Foundation Payments	$1,044,100
Other Revenues	70,956
Total Operating Revenues	1,115,056
Operating Expenses:	
Salaries	657,749
Fringe Benefits	246,806
Purchased Services	234,447
Materials and Supplies	62,275
Depreciation	23,432
Other Expenses	20,738
Total Operating Expenses	1,245,447
Operating Loss	(130,391)
Non-Operating Revenues:	
Other Federal and State Grants	111,498
Other Grants	25,390
Other Non-Operating Revenues	271
Total Non-Operating Revenues	137,159
Change in Net Position	6,768
Net Position (Deficit) at Beginning of Year	(979,256)
Net Position (Deficit) at End of Year	($972,488)

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Others	$70,956
Cash Received from Foundation Payments	1,044,100
Cash Payments to Suppliers for Goods and Services	(298,082)
Cash Payments to Employees for Services	(666,725)
Cash Payments for Employee Benefits	(263,022)
Cash Payments to Others	(20,738)
Net Cash Used for Operating Activities	(133,511)
Cash Flows from Noncapital Financing Activities:	
Other Non-Operating Revenues	271
Other Federal and State Grants Received	204,302
Net Cash Provided by Noncapital Financing Activities	204,573
Net Increase in Cash and Cash Equivalents	71,062
Cash and Cash Equivalents at Beginning of Year	568,915
Cash and Cash Equivalents at End of Year	$639,977

(continued)

See accompanying notes to the basic financial statements

SCIOTOVILLE ELEMENTARY ACADEMY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
(continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($130,391)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	23,432
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(1,368)
Decrease in Deferred Outflows	107,911
Decrease in Accounts Payable	(1,360)
Decrease in Accrued Wages and Benefits Payable	(5,391)
Increase in Intergovernmental Payable	1,956
Decrease in Deferred Inflows	(150,718)
Increase in Net Pension Liability	22,418
Total Adjustments	(3,120)
Net Cash Used for Operating Activities	($133,511)

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Sciotoville Elementary Academy of Sciotoville, Inc. (the "Academy") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades Pre-K through sixth. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Sciotoville Elementary Academy qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. Due to the Board of Directors of the Sciotoville Community School serving as the Board of Directors of the Academy, the Academy is considered a component unit of the Sciotoville Community School and is included as a blended component unit in its general purpose external financial statements.

On June 25, 2015, the Thomas B. Fordham Institute signed a contract with the Academy to be the Academy's Sponsor effective July 1, 2015. An amended contract was entered into effective July 1, 2016. The new agreement ends June 30, 2018. 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 Board of Directors. The Board members are elected at-large by the citizens of the community for staggered four-year terms. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's two instructional/support facilities staffed by seven non-certified and 11 certified full-time teaching personnel who provide services to 137 students.

The School District participates in one jointly governed organization and one public entity shared risk pool. These organizations are the South Central Ohio Computer Association Regional Council of Governments and the Optimal Health Initiatives Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

Basis Of Presentation

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

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

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

Measurement Focus

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. 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 fiscal 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.

Cash and Cash Equivalents

The Academy's Treasurer accounts for all monies received by the Academy. The Academy maintains a depository account for all funds of the Academy. This account is presented on the Statement of Net Position as "Cash and Cash Equivalents". For purposes of the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include pension. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 8).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of $1,000 for all capital assets other than computers. The capitalization threshold for computers is $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 capitalized.

All reported capital assets 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:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	3 - 10 years
Vehicles	3 - 10 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

Net Position

Net Position represents the difference between total assets and total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgetary Process

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. These revenues consist of certain intergovernmental revenues. 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.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2017, the Academy implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the Academy's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - CASH DEPOSITS

At June 30, 2017, the carrying amount of all Sciotoville Elementary Academy deposits was $639,977 and the bank balance was $649,688. Based on the criteria described in GASB Statement 40, "*Deposit and Investments Risk Disclosure,*" as of June 30, 2017, none of the bank balance was exposed to custodial risk as discussed below, as the entire bank balance was either covered by Federal Deposit Insurance Corporation or was collateralized.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017, consist of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title I Grant	$23,839
Improving Teacher Quality Grant	4,122
Special Education Grant	2,688
Foundation Adjustment	285
Total Intergovernmental Receivables	$30,934

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Capital Assets Being Depreciated:				
Land Improvements	$4,272	$0	$0	$4,272
Buildings and Improvements	208,238	0	0	208,238
Furniture, Fixtures and Equipment	315,096	0	0	315,096
Total Capital Assets Being Depreciated	527,606	0	0	527,606
Less Accumulated Depreciation:				
Land Improvements	(1,567)	(214)	0	(1,781)
Buildings and Improvements	(32,611)	(4,164)	0	(36,775)
Furniture, Fixtures and Equipment	(255,934)	(19,054)	0	(274,988)
Total Accumulated Depreciation	(290,112)	(23,432)	0	(313,544)
Capital Assets, Net	$237,494	($23,432)	$0	$214,062

The Academy’s total capital assets reported above include $135,511 in fully depreciated assets.

NOTE 7 - RISK MANAGEMENT

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 2017, the Academy contracted with Wright Specialty/Catlin Insurance Company.

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

Workers’ Compensation

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information

about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.
Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Academy's contractually required contribution to SERS was $38,034 for fiscal year 2017. Of this amount $9,247 is reported as an intergovernmental payable.

<u>Plan Description - State Teachers Retirement System (STRS)</u>

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contributions to STRS was $55,403 for fiscal year 2017. Of this amount $3,821 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.00501270%	0.00489482%	
Proportion of the Net Pension Liability Current Measurement Date	0.00571840%	0.00410712%	
Change in Proportionate Share	0.00070570%	-0.00078770%	
Proportionate Share of the Net Pension Liability	$418,533	$1,374,777	$1,793,310
Pension Expense	$64,057	$8,991	$73,048

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$5,645	$55,548	$61,193
Changes of assumptions	27,939	0	27,939
Net difference between projected and actual earnings on pension plan investments	34,523	114,143	148,666
Changes in proportionate Share and difference between Academy contributions and proportionate share of contributions	49,298	0	49,298
Academy contributions subsequent to the measurement date	38,034	55,403	93,437
Total Deferred Outflows of Resources	$155,439	$225,094	$380,533
Deferred Inflows of Resources:			
Changes in Proportionate Share and Difference between Academy contributions and proportionate share of contributions	$0	$323,367	$323,367

$93,437 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$37,572	($65,903)	($28,331)
2019	37,547	(65,904)	(28,357)
2020	32,362	(22,106)	10,256
2021	9,924	237	10,161
Total	$117,405	($153,676)	($36,271)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are as follows:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$554,113	$418,533	$305,049

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$1,826,967	$1,374,777	$993,328

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the Academy's NPL is expected to be significant.

NOTE 9 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. 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 administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was $23,500. Statutes provide 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 fiscal year 2017, the Academy's surcharge obligation was $4,843.

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 Academy's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $4,843, $2,922, and $9,507, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, 2016 and 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 10 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation benefits are derived from policies and procedures approved by the Board of Directors. Non-certified employees earn 10 to 20 days of vacation per fiscal year, depending upon their length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment up to a maximum payment of 50 days. Teachers do not earn vacation.

Teachers, administrators, and non-certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for those employees with five years of continuous service and who apply and qualify for retirement under SERS or STRS Ohio.

Insurance Benefits

The Academy is a wholly vested member of the Scioto Health Plan under Optimal Health Initiatives Consortium (see Note 17). The Academy provides life insurance to its employees through Metropolitan Education Council. The Academy also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Optimal Health Initiatives Consortium, and vision benefits through Vision Service Plan.

Deferred Compensation

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

NOTE 11 - LONG-TERM OBLIGATIONS

	Amounts Outstanding 6/30/16	Additions	Deductions	Amounts Outstanding 6/30/17
Net Pension Liability:				
STRS	$1,352,787	$21,990	$0	$1,374,777
SERS	286,029	132,504	0	418,533
Total Long-Term Obligations	$1,638,816	$154,494	$0	$1,793,310

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Title VI-B and Title I. For additional information related to the net pension liability see Note 8.

NOTE 12 - LEASES - LEASEE DISCLOSURE

The Academy leases land and a gymnasium from the Sciotoville Christian Church under an operating lease. Operating lease payments are reported as operating expenses on the financial statements. Total operating lease payments in fiscal year 2017 were $9,000.

NOTE 13 - CONTINGENCIES

Grants

The Academy 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. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

In addition, the Academy's contracts with the Thomas B. Fordham Institute and SCOCA require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy.

Litigation

The Academy is not party to any legal proceedings as of June 30, 2017.

NOTE 14 – RELATED PARTY TRANSACTIONS

During fiscal year 2017, the Sciotoville Elementary Academy paid $46,110 to the Sciotoville Community School for shared services which include superintendent, curriculum, assistant treasurer, nurse, and music and physical education teachers. As indicated in Note 1, the Sciotoville Elementary Academy is considered a component unit of the Sciotoville Community School.

NOTE 15 – FINANCIAL SERVICES

On August 10, 2015, the Board of Directors approved an agreement with the South Central Ohio Educational Service Center to provide full financial services for fiscal year 2017. The agreement stipulated that the Educational Service Center was responsible to fully initiate and conduct all requirements of the Treasurer's office. These services were provided at a cost of $20,500 for fiscal year 2017.

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The sub-contract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG $8,719 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

NOTE 17 – PUBLIC ENTITY SHARED RISK POOL

The Academy is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. The Council's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

NOTE 18 – SUBSEQUENT EVENT

Effective August 23, 2017 the Academy merged into the Community School. The final School Foundation adjustments resulted in the Elementary Academy having a liability to the Ohio Department of Education in the amount of $14,217. Due to the merger, the Community School became liable for this amount. The amount is scheduled to be taken out of the February 2018 Foundation payment to the Community School.

Additionally, there were two transfers that occurred to eliminate the Elementary Academy's bank accounts balance. The first transfer was done on November 15, 2017 in the amount of $514,981. The remaining $9,907 was transferred on January 31, 2018.

SCIOTOVILLE ELEMENTARY ACADEMY

Required Supplementary Information

Schedule of the Academy's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Four Fiscal Years (1) *

	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.00571840%	0.00501270%	0.00425000%	0.00425000%
Academy's Proportionate Share of the Net Pension Liability	$418,533	$286,029	$215,090	$252,734
Academy's Covered Payroll	$136,664	$160,707	$117,168	$128,382
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	306.25%	177.98%	183.57%	196.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each year were determined as of the Academy's measurement date, which is the prior fiscal year end.

SCIOTOVILLE ELEMENTARY ACADEMY

Required Supplementary Information

Schedule of the Academy's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Four Fiscal Years (1) *

	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.00410712%	0.00489482%	0.00572068%	0.00489482%
Academy's Proportionate Share of the Net Pension Liability	$1,374,777	$1,352,787	$1,391,468	$1,657,507
Academy's Covered Payroll	$427,343	$500,029	$581,877	$537,823
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	321.70%	270.54%	239.13%	308.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each year were determined as of the Academy's measurement date, which is the prior fiscal year end.

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SCIOTOVILLE ELEMENTARY ACADEMY

Required Supplementary Information

Schedule of the Academy's Contributions

School Employees Retirement System of Ohio

Last Nine Fiscal Years (1)

	2017	2016	2015	2014
Contractually Required Contribution	$38,034	$19,133	$21,181	$16,239
Contributions in Relation to the Contractually Required Contribution	(38,034)	(19,133)	(21,181)	(16,239)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Academy Covered Payroll	$271,671	$136,664	$160,707	$117,168
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

(1) The Academy did not begin operations until fiscal year 2009.

2013	2012	2011	2010	2009
$17,768	$17,229	$14,015	$14,445	$8,353
(17,768)	(17,229)	(14,015)	(14,445)	(8,353)
$0	$0	$0	$0	$0
$128,382	$128,094	$111,499	$106,682	$84,884
13.84%	13.45%	12.57%	13.54%	9.84%

SCIOTOVILLE ELEMENTARY ACADEMY

Required Supplementary Information

Schedule of the Academy's Contributions

State Teacher's Retirement System of Ohio

Last Nine Fiscal Years (1)

	2017	2016	2015	2014
Contractually Required Contribution	$55,403	$59,828	$70,004	$75,644
Contributions in Relation to the Contractually Required Contribution	(55,403)	(59,828)	(70,004)	(75,644)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Academy Covered Payroll	$395,736	$427,343	$500,029	$581,877
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

(1) The Academy did not begin operations until fiscal year 2009.

2013	2012	2011	2010	2009
$69,917	$70,569	$59,878	$67,603	$32,806
(69,917)	(70,569)	(59,878)	(67,603)	(32,806)
$0	$0	$0	$0	$0
$537,823	$542,838	$460,600	$520,023	$252,354
13.00%	13.00%	13.00%	13.00%	13.00%

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

Sciotoville Elementary Academy
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Sciotoville Elementary Academy, Scioto County, (the Elementary Academy), a component unit of the Sciotoville Community School, Scioto County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Elementary Academy's basic financial statements and have issued our report thereon dated March 19, 2018, wherein we noted the Elementary Academy merged with the Sciotoville Community School effective August 23, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Elementary Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Elementary 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2018

Dave Yost • Auditor of State

SCIOTOVILLE ELEMENTARY ACADEMY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2018