SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

South Scioto Academy
Franklin County
2200 Winslow Drive
Columbus, OH 43207

To the Board of Directors:

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 Academy's internal control. Accordingly, we express no 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 South Scioto Academy, Franklin County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 28, 2016, 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. 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 Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2016

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, 2015. 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 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 position increased $31,327, which represents a 2.30% increase in net position from 2014.

- Total assets and deferred outflows of resources increased $100,006, which is a 33.67% increase from 2014. This was due in part to a higher cash balance, a net increase in capital assets, and increase in deferred outflows for pension.

- Total liabilities and deferred inflows of resources increased $68,679, which represents a 4.14% increase from 2014. Current liabilities increased $77,687, which represents an 89.09% increase from 2014. This is due mostly to a large invoice for technology in Accounts Payable at year end.

Using this Annual Report

This report consists of four parts, the MD&A, the basic financial statements, notes to those statements, and required supplementary information. 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.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during 2015?" This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when cash is received or paid.

Table I provides a summary of the Academy's net position for fiscal years 2015 and 2014:

TABLE 1

	Governmental Activities June 30		
	2015	2014 (restated)	Change
Assets			
Current Assets	$ 186,894	$ 174,518	$ 12,376
Noncurrent Assets	9,074		9,074
Capital Assets - Net	98,061	49,658	48,403
Total Assets	294,029	224,176	69,853
Deferred Outflows of Resources			
Pension	102,958	72,805	30,153
Total Deferred Outflows of Resources	102,958	72,805	30,153
Liabilities			
Current Liabilities	164,884	87,197	77,687
Noncurrent liabilities			
Due Within One Year	70,000	70,000	-
Due in More Than One Year			
Net Pension Liability	1,262,613	1,501,055	(238,442)
Non-current Liabilities	1,332,613	1,571,055	(238,442)
Total Liabilities	1,497,497	1,658,252	(160,755)
Deferred Inflows of Resources			
Pension	229,434	-	229,434
Total Deferred Inflows of Resources	229,434	-	229,434
Net Position			
Net Investment in capital assets	98,061	49,658	48,403
Unrestricted	(1,428,005)	(1,410,929)	(17,076)
Total Net Position	$ (1,329,944)	$ (1,361,271)	$ 31,327

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 earning 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.

Under the new standards required by GASB 68, the net pension liability equals 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 the 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 this 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 in 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.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $66,979 to ($1,361,271).

Total net position of the Academy increased $31,327. Cash increased by $69,738. Deposits decreased due to a write-off of a security deposit determined to be uncollectible. Non-intergovernmental Accounts Receivable at the end of 2014 were collected in full, and there were none to report at the end of 2015.

Table 2 shows the changes in net position for fiscal years 2015 and 2014, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities June 30		
	2015	2014 (restated)	Change
Operating Revenues			
Foundation Payments	$ 1,345,216	$ 1,215,367	$ 129,849
Food Services	-	288	(288)
Other Revenues	48,626	9,349	39,277
Total Operating Revenues	1,393,842	1,225,004	168,838
Operating Expenses			
Purchased Services	1,909,781	1,792,235	117,546
Materials and Supplies	98,709	35,239	63,470
Depreciation	27,770	30,870	(3,100)
Other Expense	52,934	63,689	(10,755)
Total Operating Expenses	2,089,194	1,922,033	167,161
Operating Loss	(695,352)	(697,029)	1,677
Non-Operating Revenues and Expenses			
Federal Grants	429,181	330,701	98,480
State Grants	298,254	221,837	76,417
Contributions	86	15,123	(15,037)
Interest	(842)	(1,140)	298
Total Non-Operating Revenues and Expenses	726,679	566,521	160,158
Change in Net Position	31,327	(130,508)	161,835
Net Position Beginning of Year	(1,361,271)	-	(1,361,271)
Net Position End of Year	$(1,329,944)	$ (1,361,271)	$ 31,327

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $72,805 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $60,639. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$	2,090,036
Pension Expense under GASB 68		(60,639)
2015 contractually required contribution		91,006
Adjusted 2015 expenses		2,120,403
Total 2014 expenses under GASB 27		1,923,173
Increase in expenses not related to pension	$	197,230

Net position increased $31,327. Total increase of $181,016 in purchased services and materials and supplies is mainly due to increased federal funding.

Capital Assets

At the end of fiscal year 2015, the Academy had $98,061 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2015 and 2014.

TABLE 3

	2015	2014
Furniture, fixtures and equipment	$ 98,061	$ 49,658

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

Current Financial Issues

South Scioto Academy is sponsored under a contract with the Ohio Council of Community Schools. During the 2014-2015 school year there were 194 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2015 amounted to $1,345,216.

Contacting the Academy'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, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 97,259
Intergovernmental Receivables	80,561
Prepaid Items	9,074
Total Current Assets	186,894
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	98,061
Deposits	9,074
Total Non-Current Assets	107,135
Total Assets	294,029
Deferred Outflows of Resources	
Pension	102,958
Total Deferred Outflows of Resources	102,958
Liabilities	
Current Liabilities:	
Accounts Payable - Related Parties	80,425
Accounts Payable - Trade	78,487
Intergovernmental Payable	324
STRS Payable	5,648
Total Current Liabilities	164,884
Non-Current Liabilities:	
Due Within One Year	70,000
Net Pension Liability	1,262,613
Total Non-Current Liabilities	1,332,613
Total Liabilities	1,497,497
Deferred Inflows of Resources	
Pension	229,434
Total Deferred Inflows of Resources	229,434
Net Position	
Net Investment in Capital Assets	98,061
Unrestricted	(1,428,005)
Total Net Position	$ (1,329,944)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenues	
Foundation Payments	$ 1,345,216
Other Revenues	48,626
Total Operating Revenues	1,393,842
Operating Expenses	
Purchased Services (Note 11)	1,909,781
Materials and Supplies	98,709
Depreciation	27,770
Other	52,934
Total Operating Expenses	2,089,194
Operating Loss	(695,352)
Non-Operating Revenues and Expenses	
Federal Grants	429,181
State Grants	298,254
Contributions and Donations	86
Interest and Fiscal Charges	(842)
Total Non-Operating Revenues and Expenses	726,679
Change in Net Position	31,327
.	
Net Position Beginning of Year - Restated (Note 3)	(1,361,271)
Net Position End of Year	$ (1,329,944)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from Foundation	$ 1,337,395
Cash Received from Other Operating Revenues	53,118
Cash Payments for Purchased Services	(1,898,179)
Cash Payments for General Materials and Supplies	(95,767)
Cash Payments for Other Operating Expenses	(53,021)
Net Cash Used for Operating Activities	(656,454)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	423,760
State Grants Received	301,074
Proceeds from Notes	60,000
Principal Payments	(60,000)
Interest Payments	(842)
Contributions and Donations	15,086
Net Cash Provided by Noncapital Financing Activities	739,078
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(12,886)
Net Cash Used for Capital and Related Financing Activities	(12,886)
Net Increase in Cash and Cash Equivalents	69,738
Cash and Cash Equivalents at Beginning of Year	$ 27,521
Cash and Cash Equivalents at End of Year	$ 97,259

(Continued)

SOUTH SCIOTO ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(695,352)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation		27,770
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable		
(Increase)/Decrease in Intergovernmental Receivable		(15,962)
(Increase)/Decrease in Prepaid Items		(9,074)
(Increase)/Decrease in Deposits		60,926
(Increase)/Decrease in Deferred Outflows		(30,153)
Increase/(Decrease) in Accounts Payable		(14,302)
Increase/(Decrease) in Accounts Payable - related parties		23,424
Increase/(Decrease) in Intergovernmental Payable		68
Increase/(Decrease) in STRS Payable		5,209
Increase/(Decrease) in Net Pension Liability		(238,442)
Increase/(Decrease) in Deferred Inflows		229,434
Total Adjustments		38,898
Net Cash Used by Operating Activities	$	(656,454)
Noncash Transaction:		
Write off of Security Deposit (Note 12)	$	70,000
Total Noncash Transaction	$	70,000

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 is sponsored under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of five years commencing July 1, 2011. 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. For 2015, the Academy paid $48,268 to the Sponsor.

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 six non-certificated personnel and twenty-two certificated teaching personnel who provide services to 194 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 Academy. 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. (See Note 15).

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 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 position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus

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 position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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, library books, 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. The Academy did not own any land or buildings during fiscal year 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets (continued)

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:

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.

H. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $9,074, is held by the lessor. (See Note 12)

I. 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 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 until that time. For the Academy, deferred inflows of resources consist of pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pension

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 position 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.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	$66,979
Adjustments:	
Net Pension Liability	(1,501,055)
Payments Subsequent to Measurement Date	72,805
Restated Net Position June 30, 2014	($1,361,271)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. 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 not subject to custodial credit risk.

5. RECEIVABLES

Receivables at June 30, 2015, consisted mostly of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Intergovernmental Receivables	June 30, 2015
Title I	$ 34,599
Title I SIG	8,369
IDEA	10,655
Child Nutrition	4,526
ODE Year End Adjustments	5,200
SERS Refund	12,426
Due from other academies	94
Casino Tax Revenue	4,692
Total Intergovernmental Receivable	$ 80,561

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$ 206,559	$ 76,173	$ 2,074	$280,658
Leasehold Improvements	43,180	-	43,180	-
Library	20,905	-	-	20,905
Total Capital Assets Being Depreciated	270,644	76,173	45,254	301,563
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(157,899)	(24,698)	-	(182,597)
Leasehold Improvements	(45,083)	(171)	(45,254)	-
Library	(18,004)	(2,901)	-	(20,905)
Total Accumulated Depreciation	(220,986)	(27,770)	(45,254)	(203,502)
Total Capital Assets Being Depreciated, Net	$ 49,658	$ 48,403	$ -	$ 98,061

7. 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 2015, the Academy contracted with Philadelphia Insurance Company for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability, each claim	$1,000,000
Part 2, Employment Practices, each claim	1,000,000
Aggregate, All Parts	2,000,000
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:	
Personal Property	220,000
BI	101,000
Umbrella	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previous year.

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.

8. DEFINED BENEFIT PENSION PLANS

A. 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.

8. DEFINED BENEFIT PENSION PLANS (continued)

A. Net Pension Liability (continued)

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 the accrual basis of accounting.

B. 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

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $23,409 for fiscal year 2015. The full amount has been contributed for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement 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 will be 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $67,597 for fiscal year 2015. 91.64% has been contributed for fiscal year 2015.

8. DEFINED BENEFIT PENSION PLANS (continued)

D. 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, 2014, 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
Proportionate Share of the Net Pension Liability	$183,004	$1,079,609	$1,262,613
Proportion of the Net Liability	.00361600%	.00443855%	
Pension Expense	$10,762	$49,877	$60,639

At June 30, 2015, 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	$1,558	$10,394	$11,952
Academy contributions subsequent to the measurement date	23,409	67,597	91,006
Total Deferred Outflows of Resources	$24,967	$77,991	$102,958
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$29,702	$199,732	$229,434
Total Deferred Inflows of Resources	$29,702	$199,732	$229,434

$91,006 reported as deferred outflows of resources related to pension resulting from the Academy's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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:			
2016	($7,032)	($47,335)	($54,367)
2017	(7,032)	(47,335)	(54,367)
2018	(7,032)	(47,335)	(54,367)
2019	(7,048)	(47,335)	(54,383)
	($28,144)	($189,340)	($217,484)

8. DEFINED BENEFIT PENSION PLANS (continued)

E. 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, 2014, are presented below:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		4.00 percent to 22 percent
COLA or Ad Hoc COLA		3 percent
Investment Rate of Return		7.75 percent net of investments expense, including inflation
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. 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 (7.75 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 7.75 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 (6.75 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	$261,092	$183,004	$117,325

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.75 percent
Projected salary increases		2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return		7.75 percent, net of investment expenses
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 paid 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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real 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 %	

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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 from future plan members, are not included. 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, 2014. 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, 2014.

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	$1,545,578	$1,079,609	$685,556

9. POSTEMPLOYMENT BENEFITS

A. 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. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

9. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. 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 2015, the Academy's surcharge obligation was $1,867.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $1,457, $135, and $176, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $4,573, and $3,171, respectively.

The full amount has been contributed for fiscal years 2014 and 2013.

10. CONTINGENCIES

A. Student Attendance and 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, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2015, if applicable, cannot be determined at this time.

10. CONTINGENCIES (continued)

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. The results of the review of fiscal year 2015 revealed additional foundation funding due to the Academy of $5,200.

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

Purchased Services	2015
Salaries	$ 591,243
Fringe Benefits	146,294
Other Professional and Technical Services	179,545
The Leona Group, LLC	248,731
Legal Services	27,085
Ohio Council of Community Schools	48,268
Cleaning Services	28,170
Repairs and Maintenance	20,877
Building Rental	250,000
Other Rentals	4,762
Communication	24,112
Advertising	4,624
Utilities	5,383
Contracted Food Service	113,928
Pupil Transportation	216,759
Total Purchased Services	$1,909,781

12. OPERATING LEASES

The Academy entered into a lease with TG707, Inc., for the period July 1, 2006 through June 30, 2011. Two amendments have extended the lease first through June 30, 2014, and again through June 30, 2015. Payments made totaled $180,000 for the fiscal period. The Academy vacated that facility at the end of the school year.

A security deposit in the amount of $70,000 ($150,000 less periodic refunds in the amount of $20,000) was transferred to TG707 by the prior owner/landlord of the facility. The current owner/landlord has expressed an intention to withhold any further refunds. The balance of the security deposit and the associated leasehold improvements totaling $43,180 were written off in fiscal year 2015.

The Academy entered into a lease with AEP Charter South Scioto, LLC, for the period April 3, 2015 through April 2, 2035. A security deposit in the amount of $9,074 is held by the landlord.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2015.

Fiscal Year Ending June 30,	Facility Lease
2016	$ 108,888
2017	111,066
2018	111,066
2019	111,066
2020	111,066
2021	111,066
2022	111,066
2023	111,066
2024	111,066
2025	111,066
2026	111,066
2027	111,066
2028	111,066
2029	111,066
2030	111,066
2031	111,066
2032	111,066
2033	111,066
2034	111,066
2035	92,555
Total minimum lease payments	$ 2,200,631

13. NOTES PAYABLE

Debt Activity during fiscal year 2015 was as follows:

	Balance at 06/30/2014	Additions	Reductions	Balance at 06/30/2015
RBS Citizens NA	$ -	$ 60,000	$ 60,000	$ -
The Leona Group, LLC - School Facilities Loan	70,000	-	-	70,000
Total	$ 70,000	$ 60,000	$ 60,000	$ 70,000

The Academy entered into a loan with RBS Citizens NA Bank for $60,000 on September 26, 2014. The note will be used to pay for general operations of the Academy. The note has a floating interest rate equal to the Prime Rate and had a maturity date of June 30, 2015.

The Academy borrowed $150,000 from The Leona Group to pay the security deposit on the rental property they occupied as of the end of the fiscal year (see note 12). In previous years, periodic refunds of the security deposit in the amount of $20,000 have been applied to the balance due. The Academy will not receive any further refunds of the security deposit and plan to begin making regular payments during fiscal year 2016 to satisfy this debt.

14. LONG TERM OBLIGATIONS

The change in the Academy's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/2014*	Additions	Reductions	Principal Outstanding 6/30/2015	Amount Due Within One Year
Net Pension Liability	$1,501,055	$ -	$ 238,442	$1,262,613	$ -

* As restated. See Note 3 for additional information.

Obligations related to employee compensation will be paid from the program benefitting from their service.

15. 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. The first amendment, dated July 1, 2011, extended the agreement through June 30, 2016. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures. The amount paid to TLG for fiscal period 2015 totaled $248,731. 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.

For the year ended June 30, 2015, those expenses are as follows:

Related Party Transactions	2015
Salaries	$ 591,243
Benefits	185,455
Advertising	915
Communications	86
Contracted Trades	1,361
Materials and Supplies	3,692
Other Direct Costs	5,386
Other Professional and Technical Services	15,806
Total Related Party Transactions	$ 803,944

At June 30, 2015, the Academy had payables to The Leona Group, LLC in the amount of $150,425. The following is a schedule of payables to The Leona Group, LLC.:

Balance Due to The Leona Group, LLC	June 30, 2015
Accrued Wages	$ 64,644
Notes Payable	70,000
Management Fees	11,183
Payroll	33
Miscellaneous	4,565
Total	$ 150,425

16. SUBSEQUENT EVENT

On February 2, 2016, citing concerns over a lost grant funding opportunity, the Board of Directors of the Academy voted not to renew the management agreement with TLG when it expires on June 30, 2016.

South Scioto Academy
Franklin County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2014	2013
State Teachers Retirement System (STRS)		
Academy's proportion of the net pension liability (asset)	0.00443855%	0.00443855%
Academy's proportionate share of the net pension liability (asset)	$ 1,079,609	$ 1,286,023
Academy's covered-employee payroll	$ 457,292	$ 317,131
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	236.09%	405.52%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
School Employees Retirement System (SERS)		
Academy's proportion of the net pension liability (asset)	0.00361600%	0.00361600%
Academy's proportionate share of the net pension liability (asset)	$ 183,004	$ 215,032
Academy's covered-employee payroll	$ 96,371	$ 110,137
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	189.90%	195.24%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

South Scioto Academy
Franklin County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
State Teachers Retirement System (STRS)										
Contractually Required Contribution	$ 67,597	$ 59,448	$ 41,227	$ 34,836	$ 44,888	$ 51,256	$ 40,992	$ 36,150	$ 42,836	n/a
Contributions in Relation to the Contractually Required Contribution	(67,597)	(59,448)	(41,227)	(34,836)	(44,888)	(51,256)	(40,992)	(36,150)	(42,836)	n/a
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	n/a
Academy's covered-employee payroll	$ 482,836	$ 457,292	$ 317,131	$ 267,969	$ 345,292	$ 394,277	$ 315,323	$ 278,077	$ 329,508	n/a
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	n/a
School Employees Retirement System (SERS)										
Contractually required contribution	$ 23,409	$ 13,357	$ 15,243	$ 9,814	$ 11,465	$ 15,987	$ 10,548	$ 11,385	n/a	n/a
Contributions in relation to the contractually required contribution	(23,409)	(13,357)	(15,243)	(9,814)	(11,465)	(15,987)	(10,548)	(11,385)	n/a	n/a
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	n/a	n/a
Academy's covered-employee payroll	$ 177,610	$ 96,371	$ 110,137	$ 72,967	$ 91,209	$ 118,072	$ 107,195	$ 115,937	n/a	n/a
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	n/a	n/a

n/a - Medicare B information not available prior to 2008; academy began operations in FY2007.

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

South Scioto Academy
Franklin County
2200 Winslow Drive
Columbus, OH 43207

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 South Scioto Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 28, 2016, wherein we noted during 2015 the Academy adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 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 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*.

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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2016

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
APRIL 26, 2016