MADISONVILLE SMART ELEMENTARY
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

MADISONVILLE SMART ELEMENTARY
HAMILTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Madisonville Smart Elementary
Hamilton County
4324 Homer Avenue
Cincinnati, Ohio 45227

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Madisonville Smart Elementary, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Madisonville Smart Elementary, Hamilton County as of June 30, 2016, and the changes in its 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

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 April 19, 2017, on our consideration of the School'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 School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 19, 2017

As management of the Madisonville SMART Elementary, formerly the Cincinnati College Preparatory Academy - East (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Total net position of the School decreased $179,967 in fiscal year 2016. Ending net position of the School was negative $3.4 million, compared with negative $3.2 million at June 30, 2015.

- Total assets increased by $108,881 and total liabilities increased by $516,679 from the prior fiscal year end.

- The School's operating loss for fiscal year 2016 was $730,879 compared with an operating loss of $887,808 reported for the prior year.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

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

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Financial Analysis

Table 1 provides a summary of the School's net position at June 30, 2016 compared to prior fiscal year.

Table 1
Net Position at Year End

	2016	2015
Assets:		
Current and Other Assets	$ 196,006	$ 31,473
Capital Assets, Net	644,434	700,086
Total Assets	840,440	731,559
Deferred Outflows of Resources	271,737	198,987
Liabilities:		
Current Liabilities	1,116,390	606,381
Noncurrent Liabilities	3,067,691	3,061,021
Total Liabilities	4,184,081	3,667,402
Deferred Inflows of Resources	336,815	491,896
Net Position:		
Net Investment in Capital Assets	266,618	304,874
Restricted	31,268	36,078
Unrestricted	(3,706,605)	(3,569,704)
Total Net Position	$ (3,408,719)	$ (3,228,752)

Current Assets increased significantly due to management oversight of general fund spending resulting in a large increase in general fund cash reserves. There was also a large increase in intergovernmental receivables due to overpayment to retirement systems and underpayment of foundation revenues.

Current Liabilities increased significantly compared to the same amount reported for fiscal year 2015. This increase is primarily the result of increases in accounts payable and notes payable.

Financial Analysis

The total net position reported for fiscal year 2016 decreased by $179,967. Table 2 shows the change in net position for the fiscal year ended June 30, 2016 compared to prior fiscal year.

Table 2
Changes in Net Position

	2016	2015
Operating Revenues:		
Unrestricted Grants-in-Aid	$ 1,654,462	$ 1,649,614
Restricted Grants-in-Aid	122,920	136,713
Total Operating Revenues	1,777,382	1,786,327
Operating Expenses:		
Salaries and Wages	993,857	1,132,463
Fringe Benefits	257,768	290,119
Purchased Services	1,069,996	1,096,912
Materials and Suppilies	86,816	76,079
Depreciation	55,652	40,516
Other	44,172	38,046
Total Operating Expenses	2,508,261	2,674,135
Operating Loss	(730,879)	(887,808)
Nonoperating Revenues		
Federal and State Grants	550,749	540,579
Donations and Contributions	112	431
Other Nonoperating Revenues	51	45
Interest Expense	(17,396)	(4,788)
Interest Expense Forgiven	17,396	4,788
Total Nonoperating Revenues	550,912	541,055
Change in Net Position	(179,967)	(346,753)
Net Position, Beginning of Year	(3,228,752)	(2,881,999)
Net Position, End of the Year	$ (3,408,719)	$ (3,228,752)

Salaries and Wages decreased significantly in comparison with the prior fiscal year. This decrease is the result of declining enrollment and a reduction in staff from 30 in fiscal year 2015 to 25 in fiscal year 2016.

Capital Assets

At the end of fiscal year 2016, the School had $644,434 invested in Capital Assets, Net, a decrease of $55,652 in comparison with the prior fiscal year. See Note 5 of the basic financial statements for additional details.

Debt

At fiscal year-end, the School's notes payable balance was $363,950, the same amount reported one year ago. See Note 6 of the basic financial statements for additional details.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Madisonville SMART Elementary and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Madisonville SMART Elementary, 4324 Homer Ave., Cincinnati, Ohio 45227.

MADISONVILLE SMART ELEMENTARY
HAMILTON COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Assets:		
Current Assets		
Cash and Cash Equivalents	$	113,934
Intergovernmental Receivables		82,072
Total Current Assets		196,006
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation		644,434
Total Noncurrent Assets		644,434
Total Assets	$	840,440
Deferred Outflows of Resources:		
Pension	$	271,737
Liabilities:		
Current Liabilities		
Accounts Payable	$	712,932
Accrued Wages and Benefits Payable		126,044
Intergovernmental Payable		19,351
Accrued Interest Payable		22,184
Amount Due to CCPA West		16,871
Notes Payable		219,008
Total Current Liabilities		1,116,390
Noncurrent Liabilities:		
Notes Payable		158,808
Net Pension Liability		2,908,883
Total Noncurrent Liabilities		3,067,691
Total Liabilities	$	4,184,081
Deferred Inflows of Resources:		
Pension	$	336,815
Net Position:		
Net Investment in Capital Assets	$	266,618
Restricted		31,268
Unrestricted		(3,706,605)
Total Net Position	$	(3,408,719)

See accompanying notes to the basic financial statements.

MADISONVILLE SMART ELEMENTARY
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Unrestricted Grants-in-Aid	$ 1,654,462
Restricted Grants-in-Aid	122,920
Total Operating Revenues	1,777,382
Operating Expenses:	
Salaries and Wages	993,857
Fringe Benefits	257,768
Purchased Services	1,069,996
Materials and Supplies	86,816
Depreciation	55,652
Other	44,172
Total Operating Expenses	2,508,261
Operating Loss	(730,879)
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	545,367
State Grant Revenue	5,382
Donations and Contributions	112
Other Non-Operating Revenues	51
Interest Expense	(17,396)
Interest Expense Forgiven	17,396
Total Non-Operating Revenues (Expenses)	550,912
Change in Net Position	(179,967)
Net Position Beginning of Year	(3,228,752)
Net Position End of Year	$ (3,408,719)

See accompanying notes to the basic financial statements.

MADISONVILLE SMART ELEMENTARY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 1,745,643
Payments to Employees for Services and Benefits	(1,295,382)
Payments to Suppliers for Goods and Services	(827,886)
Payments to Other	(44,172)
Net Cash Used for Operating Activities	(421,797)
Cash Flows from Noncapital Financing Activities:	
Received from Federal Grants	507,893
Received from State Grants	5,382
Received from Donations and Contributions	112
Received from Other	51
Net Cash Provided by Noncapital Financing Activities	513,438
Net Decrease in Cash and Cash Equivalents	91,641
Cash and Cash Equivalents at Beginning of Year	22,293
Cash and Cash Equivalents at End of Year	$ 113,934

See accompanying notes to the basic financial statements.

MADISONVILLE SMART ELEMENTARY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(730,879)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		55,652
Changes in Assets and Liabilities:		
Intergovernmental Receivable		(35,418)
Accounts Payable		328,926
Accrued Wages and Benefits		(3,716)
Intergovernmental Payable		(15,234)
Net Pension Liability and Related		(21,128)
Net Cash Used for Operating Activities	$	(421,797)

Schedule of Non-Cash Activities:
During fiscal year 2016, interest forgiven on notes payable totaled $17,396.

See accompanying notes to the basic financial statements.

1. Description of the School and Reporting Entity:

Madisonville SMART Elementary, formerly Cincinnati College Preparatory Academy East (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through sixth grade through customizing learning for each child. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2016 fiscal year, Mangen & Associates. Douglas Mangen served as the Certified Treasurer during the entire 2016 fiscal period. The St. Aloysius Orphanage was the School's sponsor in fiscal year 2016. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). The 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 Board controls the School's instructional/support facility staffed by 6 non-certified and 19 certificated full time teaching personnel who provide services to 234 students.

The School entered into a service agreement with Mangen & Associates to provide certain academic program development and support, operations management, CCIP administration, EMIS/SOES/CRRS administration and financial/accounting services, including performing all duties required of the Treasurer of the School (See Note 11). The School also entered into a service agreement with Metropolitan Educational Technology Association (META Solutions) for technology-related services. The META Solutions board of directors consists of twelve voting members made up of twelve superintendents from the META Solutions district membership.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise 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 difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated biannually.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $1,000. Improvements are capitalized. The cost 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 to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Buildings	30 years
Furniture, Fixtures, and Equipment	5 years
Building Improvements	5 years

2. Summary of Significant Accounting Policies (Continued):

F. 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 these estimates.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. In addition, the State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. Foundation funding and casino revenues are both recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program, facilities funding, economic disadvantaged funding, and funds distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages and Benefits Payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2016 contract.

Accounts Payable – payments due for services or goods that were rendered or received during fiscal year 2016.

Intergovernmental Payable - payments made after year-end for the Schools' share of retirement contributions and Medicare associated with services rendered during the fiscal year.

2. Summary of Significant Accounting Policies (Continued):

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions. These deferred outflows of resources related to pensions are explained in Note 8.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension is explained in Note 8.

K. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets, consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. 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 School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

N. Pensions

For purposes of measuring 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. Deposits and Investments:

At June 30, 2016, the carrying amount of the School's deposits was $113,934 and the bank balance was $116,359. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Intergovernmental receivables at June 30, 2016 consisted of pension overpayments, state foundation underpayments and federal grants.

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Capital Assets:	**Beginning Balance**	**Additions**	**Deletions**	**Ending Balance**
Building and Building Improvements	$ 658,398	$ -	$ -	$ 658,398
Furniture and Equipment	107,121	-	-	107,121
Vehicles	38,528	-	-	38,528
Total Capital Assets	804,047	-	-	804,047
Less Accumulated Depreciation:				
Building and Building Improvements	(29,735)	(26,523)	-	(56,258)
Furniture and Equipment	(70,373)	(21,424)	-	(91,797)
Vehicles	(3,853)	(7,705)	-	(11,558)
Total Accumulated Depreciation	(103,961)	(55,652)	-	(159,613)
Net Capital Assets	$ 700,086	$ (55,652)	$ -	$ 644,434

6. Long-Term Obligations:

The changes in the School's long-term obligation during the fiscal year are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Notes Payable	$ 363,950	$ 40,000	$ (40,000)	$ 363,950	$ 219,008
Note Premium	31,262	-	(17,396)	13,866	-
Net Pension Liability (See Note 8)	2,702,180	206,703	-	2,908,883	-
Total	$ 3,097,392	$ 246,703	$ (57,396)	$ 3,286,699	$ 219,008

In fiscal year 2015, the School entered into a Promissory Note with Mangen Family Foundation to secure capital funds for the purchase of the school building located at 4324 Homer Avenue. The purchase was approved for $630,941. The Promissory Note with the Mangen Family Foundation is collateralized by the property.

The note carries an interest rate of 0%; however, interest has been imputed at 5%, resulting in a note premium at issuance totaling $36,050. The note premium will be amortized over the life of the note. The note has no required schedule of payment; however, the note has a maturity date of January 1, 2018.

Assuming the School pays $21,053 per month starting in July 2016, debt-service-to-maturity requirements to retire the note is as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 219,008	$ 13,683	$ 232,691
2018	144,942	2,426	147,368
Total	$ 363,950	$ 16,109	$ 380,059

7. Risk Management:

   A. Property and Liability - The School 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. For the year ended June 30, 2016, the School contracted with the McGowan Governmental UW for its insurance coverage as follows:

      General Liability (aggregate) - $3,000,000

      There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceed coverage amounts in each of the last three fiscal years.

   B. Workers' Compensation - The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

   C. Employee insurance Benefits - The School utilizes Dental Care Plus, and United HealthCare Insurance Co. to provide dental, health, life, accidental death and dismemberment insurance benefits to School employees.

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

8. Defined Benefit Pension Plans (continued):

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 – School 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 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.

8. Defined Benefit Pension Plans (continued):

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. The was no allocation to the Health Care Fund for fiscal year 2016.

The School's contractually required pension contribution to SERS was $31,320 for fiscal year 2016 of which the entire amount has been paid.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

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.

8. Defined Benefit Pension Plans (continued):

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 was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $106,945 for fiscal year 2016 of which the entire amount has been paid.

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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School'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:

8. Defined Benefit Pension Plans (continued):

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$416,254	$2,492,629	$2,908,883
Proportion of the Net Pension Liability	0.0072949%	0.00901915%	
Pension Expense	$31,392	$153,801	$185,193

At June 30, 2016, the School 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	$6,600	$114,755	$121,355
Changes in proportion and differences between School contributions and proportionate share of contributions	12,117	-	12,117
School contributions subsequent to the measurement date	31,320	106,945	138,265
Total Deferred Outflows of Resources	$50,037	$221,700	$271,737
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$11,846	$200,803	$212,649
Changes in proportion and differences between School contributions and proportionate share of contributions	-	124,166	124,166
Total Deferred Inflows of Resources	$11,846	$324,969	$336,815

$138,265 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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:			
2017	($523)	($78,301)	($78,824)
2018	(523)	(78,301)	(78,824)
2019	(52)	(78,300)	(78,352)
2020	7,969	24,688	32,657
Total	$6,871	($210,214)	($203,343)

8. Defined Benefit Pension Plans (continued):

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, 2015, 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):

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 School'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%)
School's proportionate share of the net pension liability	$577,195	$416,254	$280,729

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the School's net pension liability is expected to be significant.

8. Defined Benefit Pension Plans (continued):

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2015, 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 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

8. Defined Benefit Pension Plans (continued):

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School'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 School'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%)
School's proportionate share of the net pension liability	$3,462,450	$2,492,629	$1,672,501

Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2016, no members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

9. Post-employment Benefits:

A. School Employees Retirement System

Health Care Plan Description - The School 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. Post-employment Benefits (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 2016, 0 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 2016, this amount was $23,000. 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.

The School's contributions for health care, including the surcharge, for the fiscal years ended June 30, 2016, 2015, and 2014 were $837, $3,240 and $1,910, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The School 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 School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $10,203 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

10. Contingencies:

A. Grants and Student Attendance Data Review

The School 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. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2016, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

10. Contingencies (continued):

B. Full-Time Equivalency Reviews

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the fiscal year 2015 and fiscal year 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

11. Contracted Instruction Development, Operations Administration and Fiscal Services:

The School is a party to a management services agreement with Mangen & Associates (M&A) School Resource Center, which is an education services organization, to perform the following services:

- **Education Program Management**, including curriculum development, teacher recruitment and recommendation for selection, teacher professional development, instruction support, program assessment and evaluation, instruction procedures, student discipline, special education and other functions performed by school leaders in Ohio public schools.

- **School Operations Management**, including oversight of facilities, technology, human resources, office administration, staff recruitment and recommendation for selection, staff training, operations oversight and refinement, program assessment and evaluation, procedure development, and other functions performed by typical school operations managers in Ohio public schools.

- **Treasurer Services, Financial Management, EMIS/SOES and CCIP Administration**, including required documents for state and federal governments, basic accounting reports to School staff and Board, financial management support services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, resource call support, EMIS/SOES setup, performance, maintenance, oversight, and input of financial data directly into the EMSI and SOES subsystems, and all areas of CCIP application, management, fund retrieval and consolidated application allocation reviews tailored specifically toward the School's needs.

The contract is for a three-year period beginning on the first day of July, 2015 and ending on June 30, 2018. Payments for these services during fiscal year 2016 totaled $80,000. In addition, the School has recorded a payable for services in the amount of $678,213 for services provided.

12. Related Party Transaction:

Mangen and Associates was under contract to provide education program management, school operations management, treasurer services, financial management, and EMIS, SOES and CCIP administration, as described in Note 11. In addition, the Mangen Family Foundation has loaned funds to the School, as described in Note 6. Mangen and Associates and Mangen Family Foundation are related parties.

13. Other Purchased Services:

During the fiscal year ended June 30, 2016, purchased service expenses for services rendered by various vendors were as follows:

Management Services	$ 397,827
Instructional Services	50,903
Legal Services	3,238
Travel and Meetings	5,472
Professional and Technical Services	195,261
Garbage Removal	44,324
Rentals	40,450
Utilities	105,620
Contracted Food Services	201,485
Advertising	1,006
Repairs and Maintenance	4,935
Property Services	18,437
Postage Services	1,038
Total	$ 1,069,996

14. Changes in Accounting Principles:

For fiscal year 2016, the School implemented *GASB Statement No. 72 "Fair Value Measurement and Application"* which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepter valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2016, the School implemented GASB Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the School.

REQUIRED SUPPLEMENTARY INFORMATION

MADISONVILLE SMART ELEMENTARY
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST 3 FISCAL YEARS (1)

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.0072949%	0.006979%	0.006979%
School's Proportionate Share of the Net Pension Liability	$ 416,254	$ 353,203	$ 415,019
School's Covered-Employee Payroll	$ 220,078	$ 198,295	$ 222,486
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.14%	178.12%	186.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

MADISONVILLE SMART ELEMENTARY
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST 3 FISCAL YEARS (1)

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.00901915%	0.00965725%	0.00965725%
School's Proportionate Share of the Net Pension Liability	$ 2,492,629	$ 2,348,977	$ 2,798,087
School's Covered-Employee Payroll	$ 681,526	$ 1,030,266	$ 1,171,754
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	365.74%	228.00%	238.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

MADISONVILLE SMART ELEMENTARY
SCHEDULE OF SCHOOL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 31,320	$ 29,006	$ 27,484	$ 30,792	$ 36,448
Contributions in relation to the contractually required contribution	$ 31,320	$ 29,006	$ 27,484	$ 30,792	$ 36,448
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 223,711	$ 220,078	$ 198,295	$ 222,486	$ 270,993
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

(1) Fiscal year 2012 was the School's first year of operation.

MADISONVILLE SMART ELEMENTARY
SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 106,945	$ 95,414	$ 133,935	$ 152,328	$ 131,482
Contributions in relation to the contractually required contribution	$ 106,945	$ 95,414	$ 133,935	$ 152,328	$ 131,482
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 763,897	$ 681,526	$ 1,030,266	$ 1,171,754	$ 1,011,403
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%

(1) Fiscal year 2012 was the School's first year of operation.

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

Madisonville Smart Elementary
Hamilton County
4324 Homer Avenue
Cincinnati, Ohio 45227

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 Madisonville Smart Elementary, Hamilton County, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 19, 2017.

Internal Control Over Financial Reporting

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

Dave Yost
Auditor of State

Columbus, Ohio

April 19, 2017

MADISONVILLE SMART ELEMENTARY

HAMILTON 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
MAY 4, 2017