



Dave Yost • Auditor of State

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Sciotoville Community School, Scioto County, Ohio (the Community School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Community 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 Community 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 Community 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 the overall financial statement presentation.

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

Opinion

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

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.

Supplementary and Other Information

Our audit was conducted to opine on the Community School's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018, on our consideration of the Community 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 Community School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio
March 19, 2018

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of the Sciotoville Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. 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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

For fiscal year 2017, the net pension liability increased \$1,050,990 and total net position decreased due to the large increase in net pension liability.

Using this Financial Report

This report consists of four parts, Management's Discussion and Analysis (MD&A), the basic financial statements, notes to those statements, and the 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.

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

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

(Table 1)
Net Position

	2017	2016	Increase/ (Decrease)
Assets:			
Current Assets	\$1,068,723	\$1,006,219	\$62,504
Land	378,902	378,902	0
Depreciable Capital Assets, Net	2,173,270	2,205,356	(32,086)
<i>Total Assets</i>	<u>\$3,620,895</u>	<u>\$3,590,477</u>	<u>\$30,418</u>

(continued)

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 1)			
Net Position			
(continued)			
	2017	2016	Increase/ (Decrease)
Deferred Outflows of Resources:			
Pension	\$1,389,149	\$755,528	\$633,621
Liabilities:			
Current Liabilities	489,842	520,557	(30,715)
Non-Current Liabilities:			
Compensated Absences Payable	41,385	38,595	2,790
Net Pension Liability	6,849,982	5,798,992	1,050,990
<i>Total Liabilities</i>	7,381,209	6,358,144	1,023,065
Deferred Inflows of Resources:			
Pension	385,714	568,175	(182,461)
Net Position:			
Invested in Capital Assets	2,552,172	2,584,258	(32,086)
Restricted for Other Purposes	103,586	90,796	12,790
Unrestricted (Deficit)	(5,412,637)	(5,255,368)	(157,269)
<i>Total Net Position (Deficit)</i>	(\$2,756,879)	(\$2,580,314)	(\$176,565)

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

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

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

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

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

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

In accordance with GASB 68, the School'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.

Total assets increased \$30,418 and are partially due to an increase in cash and cash equivalents. Cash and cash equivalents increased due to revenues exceeding expenses during the fiscal year. Depreciable Capital Assets, Net decreased \$32,086 due to current year depreciation exceeding current year additions.

Total liabilities increased \$1,023,065. Long-term liabilities increased mainly due to an increase in the net pension liability.

Invested in Capital Assets decreased \$32,086 due to current year depreciation.

SCIOTOVILLE COMMUNITY SCHOOL

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Total net position decreased \$176,565 compared to the prior fiscal year mainly due to the large increase in net pension liability.

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

(Table 2)
Change in Net Position

	2017	2016	Increase/ (Decrease)
Operating Revenues:			
Extracurricular and Lunchroom Sales	\$25,404	\$23,293	\$2,111
Foundation Payments	3,353,842	3,352,453	1,389
Charges for Sales and Services	50,110	163,940	(113,830)
Other Revenues	216,386	98,259	118,127
Non-Operating Revenues:			
Federal Donated Commodities	23,067	23,067	0
Federal and State Meal Subsidies	332,707	214,877	117,830
Other Federal and State Grants	576,832	610,142	(33,310)
Other Grants	40,476	98,180	(57,704)
Other Non-Operating Revenues	271	562	(291)
<i>Total Revenues</i>	<u>4,619,095</u>	<u>4,584,773</u>	<u>34,322</u>
Operating Expenses:			
Salaries	2,308,134	2,322,007	(13,873)
Fringe Benefits	1,211,671	1,002,832	208,839
Purchased Services	677,624	772,786	(95,162)
Materials and Supplies	286,024	260,674	25,350
Cost of Sales	97,878	97,878	0
Depreciation	120,187	118,253	1,934
Other Expenses	94,142	111,127	(16,985)
<i>Total Expenses</i>	<u>4,795,660</u>	<u>4,685,557</u>	<u>110,103</u>
Change in Net Position	(176,565)	(100,784)	(75,781)
<i>Net Position (Deficit) at Beginning of Year</i>	<u>(2,580,314)</u>	<u>(2,479,530)</u>	<u>(100,784)</u>
<i>Net Position (Deficit) at End of Year</i>	<u>(\$2,756,879)</u>	<u>(\$2,580,314)</u>	<u>(\$176,565)</u>

Net Position decreased \$176,565 compared to the prior fiscal year.

SCIOTOVILLE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

There was an immaterial increase in total revenues of \$34,322. Federal and State Meal Subsidies increased \$117,830 due to the Community School providing additional lunches. Other revenues increased \$118,127 mainly due to shared services increasing an additional administrator was added. Charges for Services decreased \$113,830 due to the Community School only receiving half of the payment from the Elementary Academy due to the upcoming merger. Overall, there was an increase in total expenses of \$110,103, which resulted mainly from an increase in fringe benefits.

Capital Assets

At the end of fiscal year 2017, the School had \$2,552,172 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represent a decrease of \$32,086 from fiscal year 2017. The decrease was primarily due to current fiscal year depreciation exceeding additions.

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

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Nathan Webb, Treasurer by calling (740) 776-6777 extension 227, writing to the Sciotoville Community School, 224 Marshall Street, Sciotoville, Ohio 45662 or e-mail at Nathan.Webb@tartan.k12.oh.us.

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SCIOTOVILLE COMMUNITY SCHOOL

Statement of Net Position

June 30, 2017

Assets:

Current Assets:

Cash and Cash Equivalents	\$850,703
Intergovernmental Receivables	199,044
Inventory Held for Resale	14,287
Materials and Supplies Inventory	714
Prepaid Items	3,975
<i>Total Current Assets</i>	<u>1,068,723</u>

Non-Current Assets:

Capital Assets:	
Land	378,902
Depreciable Capital Assets, Net	2,173,270
<i>Total Non-Current Assets</i>	<u>2,552,172</u>

<i>Total Assets</i>	<u>3,620,895</u>
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Deferred Outflows of Resources:

Pension	<u>1,389,149</u>
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Liabilities:

Current Liabilities:

Accounts Payable	13,288
Accrued Wages and Benefits Payable	374,769
Intergovernmental Payable	61,518
Compensated Absences Payable	18,052
Undistributed Monies	22,215
<i>Total Current Liabilities</i>	<u>489,842</u>

Non-Current Liabilities:

Compensated Absences Payable	41,385
Due In More Than One Year	
Net Pension Liability (See Note 7)	6,849,982
<i>Total Non-Current Liabilities</i>	<u>6,891,367</u>

<i>Total Liabilities</i>	<u>7,381,209</u>
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Deferred Inflows of Resources:

Pension	<u>385,714</u>
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Net Position:

Invested in Capital Assets	2,552,172
Restricted for Other Purposes	103,586
Unrestricted (Deficit)	<u>(5,412,637)</u>

<i>Total Net Position (Deficit)</i>	<u><u>(\$2,756,879)</u></u>
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See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

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

Operating Revenues:

Extracurricular and Lunchroom Sales	\$25,404
Foundation Payments	3,353,842
Charges for Sales and Services	50,110
Other Revenues	<u>216,386</u>

Total Operating Revenues 3,645,742

Operating Expenses:

Salaries	2,308,134
Fringe Benefits	1,211,671
Purchased Services	677,624
Materials and Supplies	286,024
Cost of Sales	97,878
Depreciation	120,187
Other Expenses	<u>94,142</u>

Total Operating Expenses 4,795,660

Operating Loss (1,149,918)

Non-Operating Revenues:

Federal Donated Commodities	23,067
Federal and State Meal Subsidies	332,707
Other Federal and State Grants	576,832
Other Grants	40,476
Other Non-Operating Revenues	<u>271</u>

Total Non-Operating Revenues 973,353

Change in Net Position (176,565)

Net Position (Deficit) at Beginning of Year (2,580,314)

Net Position (Deficit) at End of Year (\$2,756,879)

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$75,514
Cash Received from Others	216,386
Cash Received from Foundation Payments	3,353,842
Cash Payments to Suppliers for Goods and Services	(1,105,948)
Cash Payments to Employees for Services	(2,325,887)
Cash Payments for Employee Benefits	(996,825)
Cash Payments to Others	<u>(20,738)</u>

Net Cash Used for Operating Activities (803,656)

Cash Flows from Noncapital Financing Activities:

Other Non-Operating Revenues	15,357
Federal and State Subsidies Received	244,883
Other Federal and State Grants Received	<u>669,636</u>

Net Cash Provided by Noncapital Financing Activities 929,876

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(88,101)</u>
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Net Increase in Cash and Cash Equivalents 38,119

Cash and Cash Equivalents at Beginning of Year 812,584

Cash and Cash Equivalents at End of Year \$850,703
(continued)

SCIOTOVILLE COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

(continued)

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$1,149,918)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 120,187

Donated Commodities Received During the Year 23,067

Changes in Assets and Liabilities:

Decrease in Deferred Outflows 514,011

Increase in Prepaid Items (3,975)

Increase in Accounts Payable 5,915

Decrease in Accrued Wages and Benefits Payable (24,469)

Decrease in Intergovernmental Payable (10,516)

Decrease in Deferred Inflows (330,615)

Increase in Compensated Absences Payable 1,145

Increase in Net Pension Liability 51,512

Total Adjustments 346,262

Net Cash Used for Operating Activities (\$803,656)

Non-Cash Transactions:

During fiscal year 2017, the School received \$23,067 in donated commodities.

See accompanying notes to the basic financial statements

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Sciotoville Community School (the "School") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through 12. The School, which is part of the State's education program, is independent of any Community School and is nonsectarian 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. Sciotoville Community School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

On May 1, 2011, the Thomas B. Fordham Institute signed a contract with the School to be the School's Sponsor effective July 1, 2011. On May 30, 2013, the Board of Directors approved a two year renewal agreement for the period of July 1, 2013 through June 30, 2015. Also on June 25, 2015, the Thomas B. Fordham Institute signed a contract with the School to be the School's Sponsor effective July 1, 2015. An amended contract was entered into effective July 1, 2016. The new agreement ends June 30, 2018. The Sponsor is responsible for evaluating the performance of the 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 Directors. The Board members are elected at-large by the citizens of the community for staggered four-year terms. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's three support facilities staffed by 43 certified and 26 classified full-time teaching personnel who provide services to 284 students.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the Sciotoville Community School, this includes general operations, food service, and student related activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt, or the levying of taxes, and there is a

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School. The Scioto Elementary Academy (the "Academy"), which began operations July 1, 2008, is governed by the same Board of Directors as the Scioto Community School. Therefore, for financial reporting purposes, it is combined with the financial statements of the Scioto Community School.

Separate financial statements for the Scioto Elementary Academy may be obtained by contacting Nathan Webb, Treasurer by calling (740) 776-6777 extension 227, writing to the Scioto Community School, 224 Marshall Street, Scioto, Ohio 45662 or e-mail at Nathan.Webb@tartan.k12.oh.us.

The Scioto Community School participates in the Optimal Health Initiatives Consortium which is defined as a public entity shared risk pool and is presented in Note 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis Of Presentation

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

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

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

Measurement Focus

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

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The School'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 School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

Cash and Cash Equivalents

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

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 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 government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7)

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net 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.

Budgetary Process

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

Inventory is stated at lower of cost or market on a first-in, first-out basis. Inventories consist of donated and purchased food held for resale, as well as supplies, all of which are expensed when used.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School maintains a capitalization threshold of \$1,000 for all capital assets other than computers. The capitalization threshold for computers is \$500. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 20 years
Buildings and Improvements	15 - 50 years
Furniture, Fixtures and Equipment	3 - 20 years
Vehicles	5 - 10 years

Compensated Absences

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

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

Net Position

Net Position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes include food service and federal and State grants restricted to expenditures for specified purposes.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. These revenues consist of certain intergovernmental revenues and sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Intergovernmental Revenues

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

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

Estimates

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

NOTE 3 - CASH DEPOSITS

At June 30, 2017, the carrying amount of all Sciotoville Community Schools deposits was \$850,703 and the bank balance was \$885,079. Based on the criteria described in GASB Statement 40, "Deposit and Investments Risk Disclosure," as of June 30, 2017, none of the bank balance was exposed to custodial risk as the entire bank balance was covered by the Federal Deposit Insurance Corporation or was collateralized.

NOTE 4 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I Grant	\$80,734
Improving Teacher Quality Grant	44,702
Special Education Grant	24,750
Federal and State Subsidies	30,999
SERS Overpayment	14,745
High Schools That Work Grant	118
Foundation Adjustment	2,996
Total Intergovernmental Receivables	<u><u>\$199,044</u></u>

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Capital Assets Not Being Depreciated:				
Land	\$378,902	\$0	\$0	\$378,902
Capital Assets Being Depreciated:				
Land Improvements	173,665	0	0	173,665
Buildings and Improvements	2,669,239	0	0	2,669,239
Furniture, Fixtures and Equipment	971,360	67,551	0	1,038,911
Vehicles	30,950	20,550	0	51,500
Total Capital Assets				
Being Depreciated	3,845,214	88,101	0	3,933,315
Less Accumulated Depreciation:				
Land Improvements	(86,411)	(9,016)	0	(95,427)
Buildings and Improvements	(730,598)	(54,522)	0	(785,120)
Furniture, Fixtures and Equipment	(796,336)	(50,894)	0	(847,230)
Vehicles	(26,513)	(5,755)	0	(32,268)
Total Accumulated Depreciation	(1,639,858)	(120,187)	0	(1,760,045)
Total Capital Assets				
Being Depreciated, Net	2,205,356	(32,086)	0	2,173,270
Total Capital Assets, Net	\$2,584,258	(\$32,086)	\$0	\$2,552,172

The School's total capital assets reported above include \$482,258 in fully depreciated assets.

NOTE 6 - RISK MANAGEMENT

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. During fiscal year 2017, the School contracted with Wells Fargo Insurance Company for general liability, property insurance, and educational errors and omissions insurance through Wright Specialty/Catlin Insurance Company.

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

Health Care Benefits

The Sciotoville Community School participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 15), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School's behalf.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

Workers' Compensation

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

NOTE 7 - 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 School 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.

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.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

The School’s contractually required contribution to SERS was \$95,216 for fiscal year 2017. Of this amount \$11,563 is reported as an intergovernmental payable.

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

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

The School's contractually required contributions to STRS was \$188,344 for fiscal year 2017. Of this amount \$5,188 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.01796770%	0.01727294%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.01959440%</u>	<u>0.01617976%</u>	
Change in Proportionate Share	<u>0.00162670%</u>	<u>-0.00109318%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,434,129	\$5,415,853	\$6,849,982
Pension Expense	\$196,801	\$321,667	\$518,468

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

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$19,343	\$218,826	\$238,169
Changes of assumptions	95,736	0	95,736
Net difference between projected and actual earnings on pension plan investments	118,295	449,661	567,956
Changes in proportionate Share and difference between Community School contributions and proportionate share of contributions	116,306	87,422	203,728
Community School contributions subsequent to the measurement date	95,216	188,344	283,560
Total Deferred Outflows of Resources	\$444,896	\$944,253	\$1,389,149
Deferred Inflows of Resources:			
Changes in Proportionate Share and Difference between Community School contributions and proportionate share of contributions	\$0	\$385,714	\$385,714

\$285,560 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$106,047	\$26,626	\$132,673
2019	105,963	26,625	132,588
2020	103,665	199,168	302,833
2021	34,005	117,776	151,781
Total	\$349,680	\$370,195	\$719,875

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

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

limitations.

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

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

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

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

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

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

SCIOTOVILLE COMMUNITY SCHOOL
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For The Fiscal Year Ended June 30, 2017

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

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

Sensitivity of the 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Community School's proportionate share of the net pension liability	\$1,898,698	\$1,434,129	\$1,045,266

Actuarial Assumptions - STRS

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

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Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	<u>1.00</u>	<u>3.00</u>
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

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

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

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Notes To The Basic Financial Statements
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percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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%)
Community School's proportionate share of the net pension liability	\$7,197,229	\$5,415,853	\$3,913,158

Changes between Measurement Date and Report Date

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

NOTE 8 - POSTEMPLOYMENT BENEFITS

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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School's surcharge obligation was \$12,095.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$12,095, \$10,175, and \$9,507, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System of Ohio

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

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

NOTE 9 - EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and non-certified employees earn sick leave at a rate of one and one-

SCIOTOVILLE COMMUNITY SCHOOL

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2017

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

Insurance Benefits

The School is a wholly vested member of the Scioto Health Plan under Optimal Health Initiatives Consortium (See Note 15). The School provides life insurance to its employees through metropolitan Education Council (MEC). The School also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Optimal Health Initiatives Consortium, and vision benefits through Vision Service Plan.

Deferred Compensation

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

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2017 were as follows:

<u>Long-Term Obligations</u>	<u>Amount Outstanding 6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/17</u>	<u>Current Portion</u>
Net Pension Liability:					
STRS	\$4,773,738	\$642,115	\$0	\$5,415,853	\$0
SERS	1,025,254	408,875	0	1,434,129	0
Total Net Pension Liability	5,798,992	1,050,990	0	6,849,982	0
Compensated Absences	58,292	12,559	11,414	59,437	18,052
Total Long-Term Obligations	<u>\$5,857,284</u>	<u>\$1,063,549</u>	<u>\$11,414</u>	<u>\$6,909,419</u>	<u>\$18,052</u>

The School pays obligations relating to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Title VI-B and Title I funds. For additional information related to the net pension liability see Note 7.

NOTE 11 - LEASES - LEASEE DISCLOSURE

The Sciotoville Elementary Academy leases land and a gymnasium from the Sciotoville Christian Church under an operating lease. Operating lease payments are reported as operating expenses on the financial statements. Total operating lease payments in fiscal year 2017 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2018.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

NOTE 12 - CONTINGENCIES

Grants

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

School Foundation

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2017.

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

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

Litigation

The School is not party to any legal proceedings.

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

NOTE 13 – RELATED PARTY TRANSACTIONS

During fiscal year 2017, the Sciotoville Elementary Academy paid \$46,110 to the Sciotoville Community School for shared services. As indicated in Note 1, the Sciotoville Elementary Academy is considered a component unit of the Sciotoville Community School.

NOTE 14 – FINANCIAL SERVICES

On August 10, 2015, the Board of Directors approved an agreement with the South Central Ohio Educational Service Center to provide full financial services for fiscal year 2017. The agreement stipulated that the Educational Service Center was responsible to fully initiate and conduct all requirements of the Treasurer's office. These services were provided at a cost of \$66,500 for fiscal year 2017.

NOTE 15 – PUBLIC ENTITY SHARED RISK POOL

Optimal Health Initiatives Consortium

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

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

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

SCIOTOVILLE COMMUNITY SCHOOL
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The subcontract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School paid SCOCARCoG \$61,655 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

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

NOTE 18 – SUBSEQUENT EVENT

The final School Foundation adjustments mentioned in note 12 resulted in the Elementary Academy having a liability to the Ohio Department of Education in the amount of \$14,217. Due to the merger, the Sciotoville Community School became liable for this amount. The amount is scheduled to be taken out of the February 2018 Foundation payment to the School. Additionally, there were two transfers that occurred to eliminate the Elementary Academy's bank accounts balance. The first transfer was done on November 15, 2017 in the amount of \$514,981. The remaining \$9,907 was transferred on January 31, 2018.

The Educational Service Center ceased providing the finance function. Effective January 1, 2018, Nathan Webb took over the financial operation as Treasurer.

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SCIOTOVILLE COMMUNITY SCHOOL
 Required Supplementary Information
 Schedule of the Community School's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)*

	2017	2016	2015	2014
Community School's Proportion of the Net Pension Liability	0.01959440%	0.01796770%	0.01640900%	0.01640900%
Community School's Proportionate Share of the Net Pension Liability	\$1,434,129	\$1,025,254	\$830,450	\$975,791
Community School's Covered Payroll	\$603,693	\$557,886	\$470,476	\$536,922
Community School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	237.56%	183.77%	176.51%	181.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

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

SCIOTOVILLE COMMUNITY SCHOOL
Required Supplementary Information
Schedule of the Community School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1) *

	2017	2016	2015	2014
Community School's Proportion of the Net Pension Liability	0.01617976%	0.01727294%	0.01758940%	0.01758940%
Community School's Proportionate Share of the Net Pension Liability	\$5,415,853	\$4,773,738	\$4,278,352	\$5,096,344
Community School's Covered Payroll	\$1,784,043	\$1,810,100	\$1,852,477	\$1,805,277
Community School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	303.57%	263.73%	230.95%	282.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

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

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SCIOTOVILLE COMMUNITY SCHOOL

Required Supplementary Information
Schedule of Community School Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$95,216	\$84,517	\$73,529	\$65,208	\$74,310
Contributions in Relation to the Contractually Required Contribution	<u>(95,216)</u>	<u>(84,517)</u>	<u>(73,529)</u>	<u>(65,208)</u>	<u>(74,310)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered Payroll	\$680,114	\$603,693	\$557,886	\$470,476	\$536,922
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$64,465	\$62,157	\$67,407	\$44,648	\$36,615
<u>(64,465)</u>	<u>(62,157)</u>	<u>(67,407)</u>	<u>(44,648)</u>	<u>(36,615)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$479,294	\$494,487	\$497,836	\$453,740	\$372,862
13.45%	12.57%	13.54%	9.84%	9.82%

SCIOTOVILLE COMMUNITY SCHOOL
 Required Supplementary Information
 Schedule of Community School Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$188,344	\$249,766	\$253,414	\$240,822	\$234,686
Contributions in Relation to the Contractually Required Contribution	<u>(188,344)</u>	<u>(249,766)</u>	<u>(253,414)</u>	<u>(240,822)</u>	<u>(234,686)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered Payroll	\$1,345,315	\$1,784,043	\$1,810,100	\$1,852,477	\$1,805,277
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$240,485	\$250,590	\$220,494	\$227,208	\$200,554
<u>(240,485)</u>	<u>(250,590)</u>	<u>(220,494)</u>	<u>(227,208)</u>	<u>(200,554)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,849,885	\$1,927,615	\$1,696,108	\$1,747,754	\$1,542,723
13.00%	13.00%	13.00%	13.00%	13.00%

SCIOTOVILLE COMMUNITY SCHOOL
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

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

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

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

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Grant Year	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	3L60	2017	\$ 19,123
Cash Assistance:				
School Breakfast Program	10.553	3L70	2017	\$ 67,584
National School Lunch Program	10.555	3L60	2017	<u>\$ 180,005</u>
Total Child Nutrition Cluster				<u>\$ 266,712</u>
Fresh Fruit and Vegetable Program	10.582	3GG0	2017	\$ 8,016
Total U.S. Department of Agriculture				<u>\$ 274,728</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	3M00	2016	\$ 40,767
			2017	<u>\$ 291,003</u>
Total Title I Grants to Local Educational Agencies				<u>\$ 331,770</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	3M20	2016	\$ 22,587
			2017	<u>\$ 113,374</u>
Total Special Education Cluster				<u>\$ 135,961</u>
Supporting Effective Instruction State Grant	84.367	3Y60	2017	\$ 51,134
Total U.S. Department of Education				<u>\$ 518,865</u>
Total Expenditures of Federal Awards				<u><u>\$ 793,593</u></u>

The accompanying notes are an integral part of this schedule.

**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Sciotoville Community School (the School) and the Sciotoville Elementary Academy, a blended component unit of the School under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

NOTE D- FOOD DONATION PROGRAM

The School reports commodities consumed on the Schedule at the fair value. The School allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

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

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Community 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 Community 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 Community 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Community 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*.

Community School's Response to Findings

The Community School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Community School's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Sciotoville Community School
Scioto County
224 Marshall Avenue
Sciotoville, Ohio 45662

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Sciotoville Community School's (the Community School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Sciotoville Community School's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Community School's major federal program.

Management's Responsibility

The Community School's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Community School's compliance for the Community School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Community School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Community School's major program. However, our audit does not provide a legal determination of the Community School's compliance.

Opinion on the Major Federal Program

In our opinion, Sciotoville Community School complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

The Community School's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the Community School's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The Community School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Community School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Community School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2017-002.

The Community School's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the Community School's response, and accordingly, we express no opinion on it.

Sciotoville Community School
Scioto County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control
Over Compliance Required by Uniform Guidance
Page 3

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2018

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2017-001
 (Continued)**

The statement of cash flows shows how changes in balance sheet accounts and income affect cash and cash equivalents. For the Community School, these changes are segregated by operating activities, noncapital finance activities and capital and related finance activities. As a part of the Statement of Cash Flows, the changes in assets and liabilities are calculated by comparing the current year amounts with the prior year amounts.

We noted the following for fiscal year 2017:

- The changes for deferred outflows was understated by \$839,122
- The change in deferred inflows was overstated by \$28,280
- The change in Net Pension Liability was overstated by \$867,402
- The Community School made errors in financial reporting in the Statement of Cash Flows in amounts ranging from \$15,086 to \$117,176.

The Community School corrected the financial statements, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Community School's financial statements and reduces the Community School's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Community School.

We recommend due care be taken when compiling the financial statements.

Officials' Response:

See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Material Noncompliance and Material Weakness

Finding Number	2017-002		
CFDA Title and Number	CFDA 84.010, Title I Grants to Local Education Agencies		
Federal Award Identification Number / Year	2017		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Reporting		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

2 CFR 200.508(b) and .510(b) requires the preparation of a schedule of expenditures of federal awards for the period covered by the auditee's financial statements.

2 CFR 200.501(a) requires a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards to have a single or program-specific audit conducted for that year in accordance with the provisions of Subpart F.

**FINDING NUMBER 2017-002
 (Continued)**

The Community School did not update the Schedule of Expenditures of Federal Awards provided for audit with the current fiscal year activity. The initial schedule presented total federal expenditures at the amount of \$606,120, which is below the \$750,000 threshold requiring an audit of federal expenditures. After the adjustments below, the Community School was subject to an audit of their federal programs.

Federal Program	Federal CFDA #	Amount Initially Presented	Adjustment	Total Federal Expenditures
National School Lunch Program (Food Distribution)	10.555	\$0	\$19,123	\$19,123
School Breakfast Program	10.553	0	67,584	67,584
National School Lunch Program	10.555	0	180,005	180,005
National School Lunch Program Equipment Assistance	10.579	15,000	(15,000)	0
Fresh Fruit and Vegetable Program	10.582	0	8,016	8,016
Title I	84.010	356,898	(25,128)	331,770
Special Education	84.027	138,909	(2,948)	135,961
Supporting Effective Instruction	84.367	87,323	(36,189)	51,134
ARRA – Race to the Top	84.395	7,990	(7,990)	0
Totals		\$606,120	\$187,473	\$793,593

The schedule was adjusted to accurately reflect actual federal expenditures. Failure to accurately report federal awards expenditures resulted in noncompliance and an inaccurate Schedule of Expenditures of Federal Awards. The Community School could have been subject to a Single Audit and the audit may have not been properly completed.

We recommend the Community School develop a system to identify federal award expenditures and monitor its agreements for federal programs periodically during the year to ensure that all federal funds are accurately reported on the Schedule of Expenditures of Federal Awards.

Officials' Response:

See Corrective Action Plan.

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**SCIOTOVILLE COMMUNITY SCHOOL
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	This issue has been discussed with the Community School's financial statement preparers. Additional notations have been made in their work papers in order to avoid this issue in the future.	Mar. 14,2018	Nathan Webb
2017-002	The issue has been documented and will be Corrected in the future	July 1, 2018	Nathan Webb

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Dave Yost • Auditor of State

SCIOTOVILLE COMMUNITY SCHOOL

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2018