



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 School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sciotoville Community School, Scioto County, Ohio, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***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 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 28, 2017, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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 28, 2017

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**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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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, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

- Net position decreased \$100,784 which was due to current year depreciation and expenses exceeding revenues during the fiscal year.
- Total Revenues decreased \$148,656, while total expenses increased \$58,489. The School's decrease in revenues was primarily the result of a reduction in foundation payments.

**Using this Financial Report**

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during fiscal year 2016?" 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 2016 and fiscal year 2015:

(Table 1)  
**Net Position**

	2016	2015	Increase/ (Decrease)
<b>Assets:</b>			
Current Assets	\$1,006,219	\$1,081,169	(\$74,950)
Land	378,902	378,902	0
Depreciable Capital Assets, Net	2,205,356	2,271,508	(66,152)
<i>Total Assets</i>	\$3,590,477	\$3,731,579	(\$141,102)

(continued)

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

(Table 1)			
<b>Net Position</b>			
(continued)			
	2016	2015	Increase/ (Decrease)
<b>Deferred Outflows of Resources:</b>			
Pension	\$755,528	\$375,200	\$380,328
<b>Liabilities:</b>			
Current Liabilities	520,557	512,307	8,250
Non-Current Liabilities:			
Compensated Absences Payable	38,595	38,904	(309)
Net Pension Liability	5,798,992	5,108,802	690,190
<i>Total Liabilities</i>	6,358,144	5,660,013	698,131
<b>Deferred Inflows of Resources:</b>			
Pension	568,175	926,296	(358,121)
<b>Net Position:</b>			
Invested in Capital Assets	2,584,258	2,650,410	(66,152)
Restricted for Other Purposes	90,796	69,304	21,492
Unrestricted (Deficit)	(5,255,368)	(5,199,244)	(56,124)
<i>Total Net Position (Deficit)</i>	(\$2,580,314)	(\$2,479,530)	(\$100,784)

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2016 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, 2016  
Unaudited

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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 decreased \$141,102 and is partially due to a decrease in cash and cash equivalents. Cash and cash equivalents decreased due to expenses exceeding revenues during the fiscal year. Depreciable Capital Assets, Net decreased \$66,152 due to current year depreciation exceeding current year additions.

Total liabilities increased \$698,131. Long-term liabilities increased mainly due to an increase in the net pension liability.

Invested in Capital Assets decreased \$66,152 due to current year depreciation.

**SCIOTOVILLE COMMUNITY SCHOOL**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Total net position decreased \$100,784 compared to the prior fiscal year due to current year expenses exceeding current year revenues.

Table 2 shows the changes in net position for fiscal year 2016 and fiscal year 2015, as well as a listing of revenues and expenses.

(Table 2)

**Change in Net Position**

	2016	2015	Increase/ (Decrease)
<b>Operating Revenues:</b>			
Extracurricular and Lunchroom Sales	\$23,293	\$80,346	(\$57,053)
Foundation Payments	3,352,453	3,545,249	(192,796)
Charges for Sales and Services	163,940	1,635	162,305
Other Revenues	98,259	208,055	(109,796)
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	23,067	23,067	0
Federal and State Meal Subsidies	214,877	294,175	(79,298)
Other Federal and State Grants	610,142	498,520	111,622
Other Grants	98,180	74,008	24,172
Other Non-Operating Revenues	562	8,374	(7,812)
<i>Total Revenues</i>	<u>4,584,773</u>	<u>4,733,429</u>	<u>(148,656)</u>
<b>Operating Expenses:</b>			
Salaries	2,322,007	2,391,322	(69,315)
Fringe Benefits	1,002,832	951,458	51,374
Purchased Services	772,786	673,123	99,663
Materials and Supplies	260,674	205,513	55,161
Cost of Sales	97,878	97,878	0
Depreciation	118,253	133,926	(15,673)
Other Expenses	111,127	173,848	(62,721)
<i>Total Expenses</i>	<u>4,685,557</u>	<u>4,627,068</u>	<u>58,489</u>
Change in Net Position	(100,784)	106,361	(207,145)
<i>Net Position (Deficit) at Beginning of Year</i>	<u>(2,479,530)</u>	<u>(2,585,891)</u>	<u>106,361</u>
<i>Net Position (Deficit) at End of Year</i>	<u><u>(\$2,580,314)</u></u>	<u><u>(\$2,479,530)</u></u>	<u><u>(\$100,784)</u></u>

Net Position decreased \$100,784 compared to the prior fiscal year.

There was a decrease in total revenues of \$148,656, primarily due to a reduction in foundation payments which was a direct result of a decrease in student enrollment. Overall, there was an immaterial increase in total expenses of \$58,489.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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**Capital Assets**

At the end of fiscal year 2016, the School had \$2,584,258 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles, which represent a decrease of \$66,152 from fiscal year 2016. 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.

**Subsequent Event**

An application has been made for the Sciotoville Elementary Academy to combine with the Sciotoville Community School with the intent to begin July 1, 2017. As of the date of this report, the combination is in the application stage and a final decision has not been made.

**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 Andrew T. Riehl, Treasurer by calling (740) 354-0234, writing to the Sciotoville Community School, 224 Marshall Avenue, Sciotoville, Ohio 45662 or e-mail at [andy.riehl@scoesc.org](mailto:andy.riehl@scoesc.org).

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**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Net Position

June 30, 2016

**Assets:**

**Current Assets:**

Cash and Cash Equivalents	\$812,584
Intergovernmental Receivables	178,634
Inventory Held for Resale	14,287
Materials and Supplies Inventory	714
<i>Total Current Assets</i>	<u>1,006,219</u>

**Non-Current Assets:**

Capital Assets:	
Land	378,902
Depreciable Capital Assets, Net	2,205,356
<i>Total Non-Current Assets</i>	<u>2,584,258</u>

<i>Total Assets</i>	<u>3,590,477</u>
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**Deferred Outflows of Resources:**

Pension	<u>755,528</u>
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**Liabilities:**

**Current Liabilities:**

Accounts Payable	7,373
Accrued Wages and Benefits Payable	399,238
Intergovernmental Payable	72,034
Compensated Absences Payable	19,697
Undistributed Monies	22,215
<i>Total Current Liabilities</i>	<u>520,557</u>

**Non-Current Liabilities:**

Compensated Absences Payable	38,595
Due In More Than One Year	
Net Pension Liability (See Note 7)	5,798,992
<i>Total Non-Current Liabilities</i>	<u>5,837,587</u>

<i>Total Liabilities</i>	<u>6,358,144</u>
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**Deferred Inflows of Resources:**

Pension	<u>568,175</u>
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**Net Position:**

Invested in Capital Assets	2,584,258
Restricted for Other Purposes	90,796
Unrestricted (Deficit)	<u>(5,255,368)</u>

<i>Total Net Position (Deficit)</i>	<u><u>(\$2,580,314)</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, 2016

**Operating Revenues:**

Extracurricular and Lunchroom Sales	\$23,293
Foundation Payments	3,352,453
Charges for Sales and Services	163,940
Other Revenues	98,259

*Total Operating Revenues* 3,637,945

**Operating Expenses:**

Salaries	2,322,007
Fringe Benefits	1,002,832
Purchased Services	772,786
Materials and Supplies	260,674
Cost of Sales	97,878
Depreciation	118,253
Other Expenses	111,127

*Total Operating Expenses* 4,685,557

*Operating Loss* (1,047,612)

**Non-Operating Revenues:**

Federal Donated Commodities	23,067
Federal and State Meal Subsidies	214,877
Other Federal and State Grants	610,142
Other Grants	98,180
Other Non-Operating Revenues	562

*Total Non-Operating Revenues* 946,828

*Change in Net Position* (100,784)

*Net Position (Deficit) at Beginning of Year* (2,479,530)

*Net Position (Deficit) at End of Year* (\$2,580,314)

See accompanying notes to the basic financial statements



**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$187,233
Cash Received from Others	98,259
Cash Received from Foundation Payments	3,352,453
Cash Payments to Suppliers for Goods and Services	(1,199,170)
Cash Payments to Employees for Services	(2,316,629)
Cash Payments for Employee Benefits	(1,049,399)
Cash Payments to Others	<u>(19,315)</u>

*Net Cash Used for Operating Activities* (946,568)

**Cash Flows from Noncapital Financing Activities:**

Other Non-Operating Revenues	7,944
Other Grants Received	91,323
Federal and State Subsidies Received	252,364
Other Federal and State Grants Received	<u>543,647</u>

*Net Cash Provided by Noncapital Financing Activities* 895,278

**Cash Flows from Capital and Related Financing Activities:**

Payments for Capital Acquisitions	<u>(52,101)</u>
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*Net Decrease in Cash and Cash Equivalents* (103,391)

*Cash and Cash Equivalents at Beginning of Year* 915,975

*Cash and Cash Equivalents at End of Year* \$812,584

(continued)

**SCIOTOVILLE COMMUNITY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

(continued)

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss (\$1,047,612)

**Adjustments to Reconcile Operating**

**Loss to Net Cash Used for Operating Activities:**

Depreciation 118,253

Donated Commodities Received During the Year 23,067

**Changes in Assets and Liabilities:**

Increase in Deferred Outflows (380,328)

Decrease in Prepaid Items 31

Increase in Accounts Payable 882

Decrease in Accrued Wages and Benefits Payable (2,226)

Increase in Intergovernmental Payable 7,187

Decrease in Deferred Inflows (358,121)

Decrease in Compensated Absences Payable 2,109

Increase in Net Pension Liability 690,190

*Total Adjustments* 101,044

*Net Cash Used for Operating Activities* (\$946,568)

**Non-Cash Transactions:**

During fiscal year 2016, 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, 2016

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**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 school district 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. The agreement is for the period of July 1, 2015 through 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 302 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, 2016

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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 Andrew T. Riehl, Treasurer by calling (740) 354-0234, writing to the Scioto Community School, 224 Marshall Avenue, Scioto, Ohio 45662 or e-mail at andy.riehl@scoesc.org.

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 account 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, 2016

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**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 net 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 statement of net 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, 2016

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**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.

**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:

<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

## **SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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### **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 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.

### **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.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2016

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**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, 2016, the carrying amount of all Sciotoville Community Schools deposits was \$812,584 and the bank balance was \$863,821. Based on the criteria described in GASB Statement 40, “*Deposit and Investments Risk Disclosure*,” as of June 30, 2016, none of the bank balance was exposed to custodial risk as discussed below, as the entire bank balance was covered by the Federal Deposit Insurance Corporation or was collateralized.

Custodial credit risk is the risk that, in the event of a bank failure, the Sciotoville Community School will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Sciotoville Community School.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2016, 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	\$75,179
Improving Teacher Quality Grant	29,866
Special Education Grant	60,704
High Schools That Work Grant	5,879
Foundation Adjustment	7,006
Total Intergovernmental Receivables	<u><u>\$178,634</u></u>



**SCIOTOVILLE COMMUNITY SCHOOL**  
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**NOTE 5 - CAPITAL ASSETS**

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

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Capital Assets Not Being Depreciated:				
Land	\$378,902	\$0	\$0	\$378,902
Capital Assets Being Depreciated:				
Land Improvements	161,265	12,400	0	173,665
Buildings and Improvements	2,662,361	6,878	0	2,669,239
Furniture, Fixtures and Equipment	938,537	32,823	0	971,360
Vehicles	30,950	0	0	30,950
Total Capital Assets				
Being Depreciated	3,793,113	52,101	0	3,845,214
Less Accumulated Depreciation:				
Land Improvements	(77,395)	(9,016)	0	(86,411)
Buildings and Improvements	(676,074)	(54,524)	0	(730,598)
Furniture, Fixtures and Equipment	(743,268)	(53,068)	0	(796,336)
Vehicles	(24,868)	(1,645)	0	(26,513)
Total Accumulated Depreciation	(1,521,605)	(118,253)	0	(1,639,858)
Total Capital Assets				
Being Depreciated, Net	2,271,508	(66,152)	0	2,205,356
Total Capital Assets, Net	\$2,650,410	(\$66,152)	\$0	\$2,584,258

The School's total capital assets reported above include \$475,265 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 2016, the School contracted with Wells Fargo Insurance Services 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  
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**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, 2016

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**Plan Description - School Employees Retirement System (SERS)**

Plan Description – The School’s 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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, 2016, 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 \$84,517 for fiscal year 2016. Of this amount \$10,042 is reported as an intergovernmental payable.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – The School’s licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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Notes To The Basic Financial Statements

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STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$249,766 for fiscal year 2016. Of this amount \$42,704 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.01640900%	0.01758940%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.01796770%</u>	<u>0.01727294%</u>	
Change in Proportionate Share	<u>0.00155870%</u>	<u>-0.00031646%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,025,254	\$4,773,738	\$5,798,992
Pension Expense	\$87,527	\$198,497	\$286,024

At June 30, 2016, 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  
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$16,508	\$217,622	\$234,130
Changes in Proportionate Share and difference between School contributions and proportionate share of contributions	70,552	116,563	187,115
School contributions subsequent to the measurement date	<u>84,517</u>	<u>249,766</u>	<u>334,283</u>
Total Deferred Outflows of Resources	<u>\$171,577</u>	<u>\$583,951</u>	<u>\$755,528</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$33,971	\$343,322	\$377,293
Changes in Proportionate Share and Difference between School contributions and proportionate share of contributions	<u>0</u>	<u>190,882</u>	<u>190,882</u>
Total Deferred Inflows of Resources	<u>\$33,971</u>	<u>\$534,204</u>	<u>\$568,175</u>

\$334,283 reported as deferred outflows of resources related to pension resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$10,204	(\$96,055)	(\$85,851)
2018	10,204	(96,055)	(85,851)
2019	10,126	(96,055)	(85,929)
2020	<u>22,555</u>	<u>88,146</u>	<u>110,701</u>
Total	<u>\$53,089</u>	<u>(\$200,019)</u>	<u>(\$146,930)</u>

**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.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

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

Notes To The Basic Financial Statements

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

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

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School's proportionate share of the net pension liability	\$1,421,659	\$1,025,254	\$691,449

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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Inflation	2.75 percent
Projected 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
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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops best estimates 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>10 Year Expected Nominal 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>	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**SCIOTOVILLE COMMUNITY SCHOOL**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$6,631,079	\$4,773,738	\$3,203,075

**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. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School's surcharge obligation was \$10,175.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$9,507, and \$9,064, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**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 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](http://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, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$18,525, respectively. The full amount has been contributed for 2016, 2015, and 2014.

**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-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.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2016

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**Insurance Benefits**

The Community School is a wholly vested member of the Scioto Health Plan under Optimal Health Initiatives Consortium (See Note 15). The Community School provides life insurance to its employees through metropolitan Education Council (MEC). The Community 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 2016 were as follows:

<u>Long-Term Obligations</u>	<u>Amount Outstanding 6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/16</u>	<u>Current Portion</u>
Net Pension Liability:					
STRS	\$4,278,352	\$534,067	\$38,681	\$4,773,738	\$0
SERS	830,450	194,804	0	1,025,254	0
Total Net Pension Liability	5,108,802	728,871	38,681	5,798,992	0
Compensated Absences	56,183	13,439	11,330	58,292	19,697
Total Long-Term Obligations	<u>\$5,164,985</u>	<u>\$742,310</u>	<u>\$50,011</u>	<u>\$5,857,284</u>	<u>\$19,697</u>

The School pays obligations relating to employee compensation from the fund benefitting from their service. 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 2016 were \$9,000. The Academy is obligated under the lease agreement to pay \$9,000 in fiscal year 2017.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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**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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2016.

**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, community school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year-end. As of the date of this report, the fiscal year 2016 review revealed that the School was underpaid by \$7,006. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either an additional receivable to or liability of the School.

**Litigation**

The School is not party to any legal proceedings.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

During fiscal year 2016, the Sciotoville Elementary Academy paid \$158,381 to the Sciotoville Community School for shared services relating to salaries for the superintendent, curriculum director, assistant treasurer, student services coordinator, nurse, and music and physical education teachers. As indicated in Note 1, the Sciotoville Elementary Academy is considered a component unit of the Sciotoville Community School.

**NOTE 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 2016. 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 \$65,000 for fiscal year 2016.

**SCIOTOVILLE COMMUNITY SCHOOL**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2016

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

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

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

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

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum the agreement, certain liabilities will be 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. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The Community School paid SCOCARCoG \$61,655 for services provided during the fiscal year.

**SCIOTOVILLE COMMUNITY SCHOOL**

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2016

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**NOTE 17 – SUBSEQUENT EVENT**

An application has been made for the Academy to combine with the Sciotoville Community School with the intent to begin July 1, 2017. As of the date of this report, the combination is in the application stage and a final decision has not been made.

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

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

(1) Information prior to 2014 is not available.

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

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

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

(1) Information prior to 2014 is not available.

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

**SCIOTOVILLE COMMUNITY SCHOOL**  
*Required Supplementary Information*  
*Schedule of School Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$84,517	\$73,529	\$65,208	\$74,310	\$64,465	\$62,157	\$67,407	\$44,648	\$36,615	\$35,936
Contributions in Relation to the Contractually Required Contribution	<u>(84,517)</u>	<u>(73,529)</u>	<u>(65,208)</u>	<u>(74,310)</u>	<u>(64,465)</u>	<u>(62,157)</u>	<u>(67,407)</u>	<u>(44,648)</u>	<u>(36,615)</u>	<u>(35,936)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered-Employee Payroll	\$603,693	\$557,886	\$470,476	\$536,922	\$479,294	\$494,487	\$497,836	\$453,740	\$372,862	\$336,479
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$249,766	\$253,414	\$240,822	\$234,686	\$240,485	\$250,590	\$220,494	\$227,208	\$200,554	\$191,174
Contributions in Relation to the Contractually Required Contribution	(249,766)	(253,414)	(240,822)	(234,686)	(240,485)	(250,590)	(220,494)	(227,208)	(200,554)	(191,174)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered-Employee Payroll	\$1,784,043	\$1,810,100	\$1,852,477	\$1,805,277	\$1,849,885	\$1,927,615	\$1,696,108	\$1,747,754	\$1,542,723	\$1,470,569
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Grant Year	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b><i>Passed Through Ohio Department of Education</i></b>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2016	\$ 0	\$ 8,387
Cash Assistance:				
School Breakfast Program	10.553	2016	0	61,163
National School Lunch Program	10.555	2016	0	177,690
Total Child Nutrition Cluster			<u>0</u>	<u>247,240</u>
National School Lunch Program Equipment Assistance Grant	10.579	2016	0	15,000
Fresh Fruit and Vegetable Program	10.582	2016	0	8,178
Total U.S. Department of Agriculture			<u>0</u>	<u>270,418</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b><i>Passed Through Ohio Department of Education</i></b>				
Title I Grants to Local Educational Agencies	84.010	2015	0	49,395
		2016	0	302,377
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>351,772</u>
Special Education - Grants to States	84.027	2015	0	14,736
		2016	0	124,173
Total Special Education - Grants to States			<u>0</u>	<u>138,909</u>
Supporting Effective Instruction State Grant	84.367	2015	0	0
		2016	0	87,323
Total Supporting Effective Instruction State Grant			<u>0</u>	<u>87,323</u>
ARRA - Race to the Top	84.395	2015	0	4,750
		2015	0	3,240
Total ARRA - Race to the Top			<u>0</u>	<u>7,990</u>
Total U.S. Department of Education			<u>0</u>	<u>585,994</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 0</b></u>	<u><b>\$ 856,412</b></u>

*The accompanying notes are an integral part of this schedule.*

**SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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) under programs of the federal government for the year ended June 30, 2016. 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 entitlement value. The School allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFER BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School transferred the following amounts from 2015 to 2016:

Sciotoville Community School Program Title	CFDA Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	\$1,039
Sciotoville Elementary Academy Program Title	CFDA Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	\$4,088



# 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, Ohio (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 28, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of the Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 28, 2017





# 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 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, 2016. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School's major federal program.

### ***Management's Responsibility***

The School's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School's compliance for the 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 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 School's major program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on the Major Federal Program***

In our opinion, the 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, 2016.

***Report on Internal Control Over Compliance***

The 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 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 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 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 28, 2017

**SCIOTOVILLE COMMUNITY SCHOOL  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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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  
APRIL 11, 2017**