MOUND STREET IT
CAREERS ACADEMY
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2017

James G. Zupka, CPA, Inc.
Certified Public Accountants

Dave Yost • Auditor of State

Board of Directors
Mound Street IT Careers Academy
354 Mound Street
Dayton, Ohio 45402-8325

We have reviewed the *Independent Auditor's Report* of the Mound Street IT Careers Academy, Montgomery County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mound Street IT Careers Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

March 13, 2018

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MOUND STREET IT CAREERS ACADEMY
MONTGOMERY COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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JAMES G. ZUPKA, C.P.A., INC.
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Mound Street IT Careers Academy
Dayton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Mound Street IT Careers Academy, Montgomery County, Ohio, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mound Street IT Careers Academy as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with 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 that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 8, 2017

The management's discussion and analysis of Mound Street IT Careers Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total net position decreased $219,074 which represents a 92% decrease from the prior year.
- Total assets decreased $246,715 which represents a 13% decrease from the prior year.
- Total operating revenue for fiscal year 2017 in the amount of $446,988 was $17,355 more than the operating revenue reported for fiscal year 2016.
- The non-operating revenue for fiscal year 2017 in the amount of $200,059 was $85,939 less than the non-operating revenue reported for fiscal year 2016.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Academy, as well as the management's discussion and analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in Net Position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity-wide and the fund presentation are the same.

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

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

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

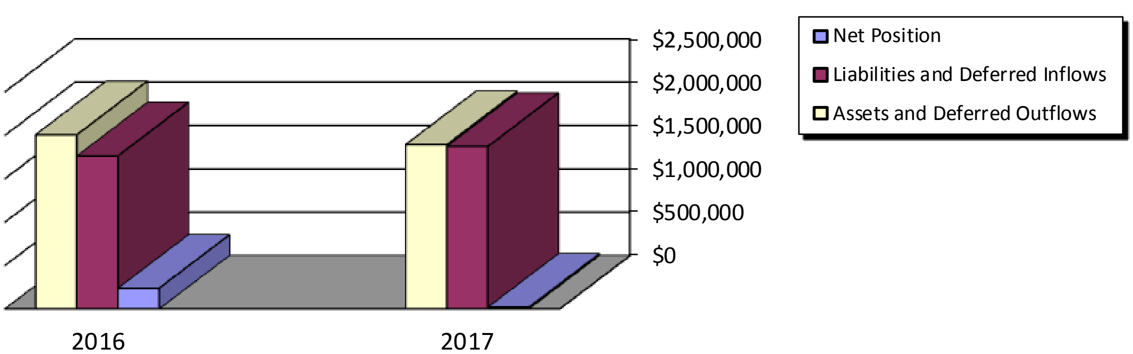
These statements report the Academy's net position, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The Academy as a Whole

As stated previously, the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for 2017 compared to 2016.

Table 1
Net Position

	Net Position	
	2017	2016
Assets:		
Current and Other Assets	$1,480,476	$1,719,819
Capital Assets	149,581	156,953
Total Assets	1,630,057	1,876,772
Deferred Outflows of Resources:		
Pension	261,958	130,852
Total Deferred Outflows of Resources	261,958	130,852
Liabilities:		
Other Liabilities	60,502	70,235
Long-Term Liabilities	1,560,407	1,308,083
Total Liabilities	1,620,909	1,378,318
Deferred Inflows of Resources:		
Pension	251,066	390,192
Total Deferred Inflows of Resources	251,066	390,192
Net Position:		
Investment in Capital Assets	149,581	156,953
Restricted	305,941	336,968
Unrestricted	(435,482)	(254,807)
Total Net Position	$20,040	$239,114



Total Net Position of the Academy decreased by $219,074 from 2016. The decrease in total net position from fiscal year 2016 is primarily due to a decrease in non-operating revenues. Total Assets decreased $246,715. Deferred Outflows increased $131,106 and Deferred Inflows decreased $139,126. Total liabilities increased $242,591 primarily due to an increase in Net Pension Liability when compared to 2016.

Table 2 shows the changes in Net Position for the fiscal years ended June 30, 2017 and 2016.

Table 2
Changes in Net Position

	Change in Net Position	
	2017	2016
Operating Revenues:		
State Foundation	$446,797	$408,934
Other Revenues	191	20,699
Total Operating Revenues	446,988	429,633
Operating Expenses:		
Salaries	482,055	500,866
Fringe Benefits	107,866	52,622
Purchased Services	231,707	185,081
Materials and Supplies	15,174	19,320
Depreciation	7,372	7,183
Other Expenses	21,947	10,903
Total Operating Expenses	866,121	775,975
Operating Loss	(419,133)	(346,342)
Non-Operating Revenues (Expenses):		
Investment Earnings	10,232	4,732
State and Federal Grants	189,827	281,266
Loss on disposal of capital assets	0	(1,600)
Total Non-Operating Revenues (Expenses)	200,059	284,398
Change in Net Position	(219,074)	(61,944)
Net Position - Beginning of Year	239,114	301,058
Net Position - End of Year	$20,040	$239,114

Total operating revenues increased primarily due to an increase in state foundation payments. Total non-operating revenues decreased primarily due to a decrease in state and federal grants received.

Capital Assets

At the end of fiscal 2017, the Academy had $149,581 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 3 shows fiscal 2017 balances compared to fiscal 2016:

Table 3
Capital Assets at Year End
(Net of Depreciation)

	Capital Assets	
	2017	2016
Land	$6,516	$6,516
Buildings and Improvements	124,503	129,086
Furniture and Equipment	18,561	21,350
Vehicles	1	1
Total Net Capital Assets	$149,581	$156,953

See Note 5 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Debt

At June 30, 2017, the Academy did not have any outstanding debt obligations. For information regarding other long-term obligations, please see Note 10 of the notes to the basic financial statements.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of Mound Street IT Careers Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Mound Street IT Careers Academy Attn: Treasurer, 354 Mound Street Dayton, Ohio 45402, (937) 223-3041

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Mound Street IT Careers Academy
Statement of Net Position
June 30, 2017

Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	$1,477,032
Receivables:	
Accounts	1,199
Intergovernmental	2,245
Total Current Assets	1,480,476
Noncurrent Assets:	
Nondepreciable Capital Assets	6,516
Depreciable Capital Assets, Net	143,065
Total Noncurrent Assets	149,581
Total Assets	1,630,057
Deferred Outflows of Resources:	
Pension	261,958
Total Deferred Outflows of Resources	261,958
Liabilities:	
Current Liabilities:	
Accounts Payable	1,673
Accrued Wages and Benefits	58,829
Total Current Liabilities	60,502
Long-Term Liabilities:	
Compensated Absences	66,568
Net Pension Liability	1,493,839
Total Long-Term Liabilities	1,560,407
Total Liabilities	1,620,909
Deferred Inflows of Resources:	
Pension	251,066
Total Deferred Inflows of Resources	251,066
Net Position:	
Investment in Capital Assets	149,581
Restricted for:	
Restricted	305,941
Unrestricted	(435,482)
Total Net Position	$20,040

See accompanying notes to the basic financial statements.

Mound Street IT Careers Academy
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Operating Revenues:	
Foundation Payments	$446,797
Other Operating Revenues	191
Total Operating Revenues	446,988
Operating Expenses:	
Salaries	482,055
Fringe Benefits	107,866
Purchased Services	231,707
Materials and Supplies	15,174
Depreciation	7,372
Other	21,947
Total Operating Expenses	866,121
Operating Loss	(419,133)
Non-Operating Revenues:	
Investment Earnings	10,232
State and Federal Grants	189,827
Total Non-Operating Revenues	200,059
Change in Net Position	(219,074)
Net Position - Beginning of Year	239,114
Net Position - End of Year	$20,040

See accompanying notes to the basic financial statements.

Mound Street IT Careers Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Cash Flows from Operating Activities:	
Cash Received from State Foundation	$446,797
Cash Received from Other Operating Revenue	3,346
Cash Payments to Employees for Salaries and Benefits	(615,333)
Cash Payments for Materials, Supplies and Other Services	(247,277)
Cash Payments for Other Expenses	(24,929)
Net Cash Used in Operating Activities	(437,396)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	195,232
Net Cash Provided by Noncapital Financing Activities	195,232
Cash Flows from Investing Activities:	
Earnings on Investments	10,232
Net Cash Provided by Cash Flows from Investing Activities	10,232
Net Decrease in Cash and Cash Equivalents	(231,932)
Cash and Cash Equivalents - Beginning of Year	1,708,964
Cash and Cash Equivalents - End of Year	1,477,032
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	(419,133)
Adjustments:	
Depreciation	7,372
Changes in Assets and Deferred Outflows, and Liabilities and Deferred Inflows:	
(Increase) Decrease in Receivables	2,006
(Increase) Decrease in Deferred Outflows of Resources	(131,106)
Increase (Decrease) in Accrued Liabilities	15,837
Increase (Decrease) in Payables	(3,260)
Increase (Decrease) in Deferred Inflows of Resources	(139,126)
Increase (Decrease) in Net Pension Liability	230,014
Net Cash Used in Operating Activities	($437,396)

Schedule of Noncash Capital Activities:

During the fiscal year, these amounts were received representing noncash contributions of:	
Intergovernmental Receivable	$2,245

See accompanying notes to the basic financial statements.

Note 1 – Description of the Academy and Reporting Entity

Mound Street IT Careers Academy (the Academy) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with St. Aloysius Orphanage (Sponsor) as of July 1, 2017. The Academy operates under a self-appointing eight - member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy has one instructional/support facility staffed by 1 superintendent, 1 principal, 13 certified teaching personnel, 8 non-certified support personnel and 1 academic coach who provide services to an enrollment of 53.67 full time equivalent students.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Academy's accounting policies are described below.

Basis of Presentation

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of Net Position. The difference between total assets and deferred outflows, and liabilities and deferred inflows is defined as Net Position. The statement of revenues, expenses and changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total Net Position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

The Board of Trustees adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Treasurer are responsible for ensuring that purchases are made within these limits. However, any variances from the budgetary amounts are presented to the Board for subsequent approval.

Equity in Pooled Cash and Investments

All monies received by the Academy are maintained in demand deposit accounts, a savings account, and investments. For internal accounting purposes, the Academy segregates its cash using fund accounting.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Trustees has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2017 amounted to $10,232.

Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the academy receives value without directly giving equal value in return, include grants and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflow.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized until that time. These amounts have been recorded as a deferred inflow on the statement of net position. These amounts are 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 statement of net position, see Note 7.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. The Academy maintains a capitalization threshold of $1,000. The Academy does not have 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 the asset's life are expensed. Depreciation is computed using the straight-line method over estimated useful lives as follows: building and improvements - 30 to 50 years, furniture and equipment - 4 to 20 years, and vehicles - 6 to 8 years.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and various grants awarded through state and federal programs. These programs include Title I, Title II-A and Part B-IDEA. The State Foundation Program and certain other state grants are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Most other federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Revenues under state and federal grant or entitlement programs for the 2017 school year totaled $636,624.

Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of Net Position relating to expenses, which are due but unpaid as of June 30, 2017 including:

Accrued wages and benefits payable – payments for salary, health benefits, SERS and STRS contributions, Medicare deductions, SERS' surcharge and workers' compensation made after year-end for services rendered in fiscal year 2017. Teaching personnel are paid in 26 equal installments, ending with the first payroll in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2017 for the salary payments made to personnel after June 30, 2017 related to fiscal year 2017. A liability has also been recognized for health care payments made after year end for payroll services earned as of June 30, 2017.

Pensions

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

Compensated Absences

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy. The Academy records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Academy.

The entire compensated absences liability is reported on the basic financial statements.

The Academy does not record a liability for personal and vacation leave because its policy is not to pay out accumulated personal and vacation leave balances upon termination of employment.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

As of June 30, 2017, of the Academy's $305,941 in restricted net position, none was restricted by enabling legislation.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission as well as other charges for services and other operating revenues. For the Academy, operating revenues include foundation payments received from the State of Ohio as well as other operating revenues. Operating expenses are necessary costs incurred to support the Academy's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various state and federal grants, as well as interest revenue, comprise the non-operating revenues of the Academy. The Academy reported no non-operating expense for fiscal year 2017.

Federal Tax Exemption Status

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

Estimates

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

Note 3 – Sponsorship and Service Contract Fees

In fiscal year 2017, payments were made by the Mound Street IT Careers Academy to the Shared Resource Center totaling $28,512. These represent payments for reimbursements for services provided by the Shared Resource Center to the Mound Street IT Careers Academy.

The Mound Street IT Careers Academy contracted with Montgomery County Educational Service Center as its sponsor for one year effective July 1, 2016. SAO was paid one percent (1%) for the fiscal year ended June 30, 2017, of all foundation funds received by the School from the State of Ohio. Total fees for fiscal year 2017 were $4,144. The Sponsor provides oversight, monitoring, and technical assistance for the Academy.

Note 4 – Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2017, $154,402 of the Academy's bank balance of $154,402 is covered by FDIC. Petty Cash had a balance of $20.

Investments

As of June 30, 2017, the Academy had the following investment:

	Value	Fair Value Hierarchy	Weighted Average Maturity (Yrs.)
Star Ohio	$1,325,739	N/A	0.12

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Academy's recurring fair value measurements as of June 30, 2017. STAR Ohio is reported at its share price (Net Asset value per share).

The Academy's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Academy will not directly invest in securities maturing more than five years from the date of purchase. The Academy's investment policy does not address this risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in Star Ohio were rated AAAm by Standard & Poor's. The Academy's policy does not address credit risk for investments.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Academy has invested 100% in Star Ohio. The Academy's investment policy does not address this risk.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Academy's investments are either insured and registered in the name of the Academy or at least registered in the name of the Academy. The Academy does not have a policy for custodial credit risk.

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Note 5 – Capital Assets

A summary of the Academy's capital assets at June 30, 2017, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated:				
Land	$6,516	$0	$0	$6,516
Capital Assets, being depreciated:				
Buildings and Improvements	177,986	0	0	177,986
Furniture and Equipment	75,391	0	0	75,391
Vehicles	7,435	0	0	7,435
Totals at Historical Cost	267,328	0	0	267,328
Less Accumulated Depreciation:				
Buildings and Improvements	48,900	4,583	0	53,483
Furniture and Equipment	54,041	2,789	0	56,830
Vehicles	7,434	0	0	7,434
Total Accumulated Depreciation	110,375	7,372	0	117,747
Capital Assets, Net	$156,953	($7,372)	$0	$149,581

Note 6 – Risk Management

Property and liability – The Academy is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the Academy contracted with Cincinnati Insurance Company for business personal property, director and officer liability, auto, and general liability insurance. Auto coverage for comprehensive and collision has a $1,000,000 limit. General liability coverage provides $1,000,000 per occurrence and $2,000,000 in the aggregate with no deductible. The Cincinnati Insurance Company also provides umbrella liability coverage of $4,000,000 per occurrence, as well as, in the aggregate.

There has been no reduction in coverage from the prior year and settled claims have not exceeded the Academy's coverage in any of the past three years.

Employee insurance benefits – The Academy offers health and dental insurance benefits to employees of whom the Academy pays 80 percent and the employee pays 20 percent of the premiums. The Academy also offers life insurance to its employees of which it pays 100 percent of the premiums. Health and life insurance benefits are administered by Anthem. Dental insurance benefits are administered by Superior. The Academy also adopted a Health Savings Account Option.

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 employer'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 obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer 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 accrued wages and benefits.

Plan Description – School Employees Retirement System (SERS)

Plan Description – Non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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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 65 with 5 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 or $86.00 multiplied by the years of service credit. 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 employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was $16,381 for fiscal year 2017. Of this amount $3,173 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.0 of the 12.0 percent member rates goes to the DC Plan and 1.0 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 after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $48,720 for fiscal year 2017. Of this amount $7,448 is reported as accrued wages and benefits.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$317,333	$1,176,506	$1,493,839
Proportion of the Net Pension Liability Prior Year Measurement Date	0.00498700%	0.00354329%	
Proportion of the Net Pension Liability Current Year Measurement Date	0.00433570%	0.00351479%	
Change in Proportionate Share	-0.00065130%	-0.00002850%	
Pension Expense	(4,950)	26,997	22,047

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$4,280	$47,536	$51,816
Changes of assumptions	21,184	0	21,184
Net difference between projected and actual earnings on pension plan investments	26,175	97,682	123,857
Contributions subsequent to the measurement date	16,381	48,720	65,101
Total Deferred Outflows of Resources	$68,020	$193,938	$261,958
Deferred Inflows of Resources			
Changes in employer proportion and differences between contributions and proportionate share of contributions	$82,928	$61,698	$144,626
Changes in employer proportionate share of net pension liability	27,647	78,793	106,440
Total Deferred Inflows of Resources	$110,575	$140,491	$251,066

$65,101 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	($37,302)	($36,431)	($73,733)
2019	(36,757)	(36,431)	(73,188)
2020	7,600	40,448	48,048
2021	7,524	37,140	44,664
Total	($58,935)	$4,726	($54,209)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

The RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled

Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$420,129	$317,333	$231,289

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the 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%)
Proportionate share of the net pension liability	$1,563,481	$1,176,506	$850,070

Changes Between Measurement Date and Report Date

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

Note 8 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.
The Academy's contributions assigned for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were $1,871, $589, and $3,060, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0, respectively.

Note 9 – Contingencies

Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

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

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The Academy is currently not party to any legal proceedings.

Note 10 – Long-Term Obligations

Changes in long-term obligations of the Academy during fiscal year 2017 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
Net Pension Liability:					
STRS	$979,262	$197,244	$0	$1,176,506	$0
SERS	284,563	32,770	0	317,333	0
Total Net Pension Liability	1,263,825	230,014	0	1,493,839	0
Compensated Absences	44,258	22,310	0	66,568	0
Total Long-Term Liabilities	$1,308,083	$252,324	$0	$1,560,407	$0

Note 11 – Related Parties

The Superintendent and Treasurer of Mound Street IT Careers Academy serve in the same capacity for Mound Street Health Careers Academy and Mound Street Military Careers Academy. All Board of Trustees members serve on all three Academy Boards. Transactions between the three Academies are insignificant.

Note 12 – Jointly Governed Organizations

Metropolitan Educational Technology Association

The Metropolitan Educational Technology Association (META) is an educational solutions partner providing services across Ohio. META provides cost effective fiscal, network, technology, and student services a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president, vice president and nine board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Board. Financial information can be obtained from the Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

Note 13 – Other Purchased Services

During the fiscal year ended June 30, 2017, other purchased service expenses for services rendered by various vendors were as follows:

Professional & Technical Services	$156,442
Property Services	40,875
Travel Mileage/Meeting Expense	3,054
Communications	5,368
Utilities Services	24,691
Contracted Craft or Trade Services	1,083
Tuition	194
Total Other Purchased Services	$231,707

Note 14 – Receivables

At June 30, 2017, the Academy had accounts and intergovernmental receivables of $1,199 and $2,245, respectively, which are considered collectible within one year and are presented on the statement of Net Position.

Note 15 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *"Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement*

No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14" and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Academy.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Academy.

REQUIRED SUPPLEMENTARY INFORMATION

Mound Street IT Careers Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.00351479%	0.00354329%	0.00386527%	0.00386527%
Academy's Proportionate Share of the Net Pension Liability	$1,176,506	$979,262	$940,167	$1,313,888
Academy's Covered-Employee Payroll	$377,829	$346,286	$425,300	$500,308
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	311.39%	282.79%	221.06%	262.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available and amounts presented as of the measurement date which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information.

Mound Street IT Careers Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.00433570%	0.00498700%	0.00682300%	0.00682300%
Academy's Proportionate Share of the Net Pension Liability	$317,333	$284,563	$345,308	$475,450
Academy's Covered-Employee Payroll	$205,229	$227,527	$200,260	$234,935
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	154.62%	125.07%	172.43%	202.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available and amounts presented as of the measurement date which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information.

Mound Street IT Careers Academy
Required Supplementary Information
Schedule of Academy Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Contractually Required Contribution	$48,720	$52,896	$48,480	$55,289	$65,040
Contributions in Relation to the Contractually Required Contribution	(48,720)	(52,896)	(48,480)	(55,289)	(65,040)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered-Employee Payroll	$348,000	$377,829	$346,286	$425,300	$500,308
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the Required Supplementary Information.

2012	2011	2010	2009	2008
$87,354	$75,278	$70,701	$55,482	$73,404
(87,354)	(75,278)	(70,701)	(55,482)	(73,404)
$0	$0	$0	$0	$0
$671,954	$579,062	$543,854	$426,785	$564,646
13.00%	13.00%	13.00%	13.00%	13.00%

Mound Street IT Careers Academy
Required Supplementary Information
Schedule of Academy Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Contractually Required Contribution	$16,381	$28,732	$29,988	$27,756	$32,515
Contributions in Relation to the Contractually Required Contribution	(16,381)	(28,732)	(29,988)	(27,756)	(32,515)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered-Employee Payroll	$117,007	$205,229	$227,527	$200,260	$234,935
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

See accompanying notes to the Required Supplementary Information.

2012	2011	2010	2009	2008
$26,552	$21,973	$25,092	$5,761	$38,172
(26,552)	(21,973)	(25,092)	(5,761)	(38,172)
$0	$0	$0	$0	$0
$197,413	$174,805	$185,318	$58,547	$388,717
13.45%	12.57%	13.54%	9.84%	9.82%

Note 1 – SERS Changes in Benefits Terms and Assumptions

Changes in Benefit Terms

There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in Assumptions

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (1) discount rate was reduced from 7.75% to 7.50%, (2) the assumed rate of inflation was reduced from 3.25% to 3.00%, (3) payroll growth assumption was reduced from 4.00% to 3.50%, (4) assumed real wage growth was reduced from 0.75% to 0.50%, (5) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (6) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (7) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (8) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

Note 2 – STRS Changes in Benefits Terms and Assumptions

Changes in Benefit Terms

There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in Assumptions

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Garfield Hts., Ohio 44125

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board
Mound Street IT Careers Academy
Dayton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Mound Street IT Careers Academy, Montgomery County, Ohio, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 8, 2017

MOUND STREET IT CAREERS ACADEMY
MONTGOMERY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2017

The prior audit report, as of June 30, 2016, included a material weakness.

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Statement Errors	Partially Corrected.	Re-issued as a Management Letter comment.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

MOUND STREET IT CAREER ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 27, 2018