MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

OHIO AUDITOR OF STATE
KEITH FABER

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY
JUNE 30, 2018 AND 2017

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Mahoning Unlimited Classroom
Mahoning County
7401 Market Street, Suite 519
Youngstown, Ohio 44512

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Mahoning Unlimited Classroom, Mahoning County, Ohio (the School), as of and for the years ended June 30, 2018 and 2017, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mahoning Unlimited Classroom, Mahoning County as of June 30, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements for the years ended June 30, 2018 and 2017, on December 18, 2018 the School and the Ohio Department of Education entered into a settlement agreement regarding overpayments in funding. The School has properly recognized a liability and included note disclosure as a result of the agreement. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liability and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2019, 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.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

July 17, 2019

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position was a deficit of $222,619 at June 30, 2018.

- The School had operating revenues of $569,683 and operating expenses of $1,076,629 for fiscal year 2018. The School also received $129,810 in Federal and State grants and $486 in interest income during fiscal year 2018. The total change in net position for the fiscal year was a decrease of $376,650.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The s*tatement of net position* and s*tatement of revenues, expenses and changes in net position* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 8 and 9 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 10 of this report.

The table below provides a summary of the School's net position for fiscal years 2018 and 2017.

Net Position

	2018	2017
Assets		
Current assets	$ 139,469	$ 824,718
Capital assets, net	257	1,024
Total assets	139,726	825,742
Liabilities		
Current liabilities	348,162	650,453
Total liabilities	348,162	650,453
Deferred inflows of resources	14,183	21,258
Net position		
Investment in capital assets	257	1,024
Restricted	13,324	17,419
Unrestricted	(236,200)	135,588
Total net position	$ (222,619)	$ 154,031

The School has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of 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.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School's net position totaled a deficit of $222,619.

At year-end, capital assets represented 0.18% of total assets, compared to 0.12% in 2017. Capital assets consist of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending, therefore, the School's investment in capital assets is reported as a separate component of net position.

A portion of the School's net position, $13,324, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of $236,200.

The table below shows the changes in net position for fiscal years 2018 and 2017.

Change in Net Position

	2018	2017
Operating revenues:		
State Foundation	$ 569,444	$ 503,446
Services provided to other entities	239	-
Total operating revenues	569,683	503,446
Operating expenses:		
Personal services	(7,075)	-
Purchased services	1,022,425	954,655
Materials and supplies	16,725	29,939
Other	43,787	117,138
Depreciation	767	5,506
Total operating expenses	1,076,629	1,107,238
Non-operating revenues:		
Federal and state grants	129,810	138,393
Interest income	486	178
Total non-operating revenues	130,296	138,571
Change in net position	(376,650)	(465,221)
Net position at beginning of year	154,031	619,252
Net position (deficit) at end of year	$ (222,619)	$ 154,031

In fiscal year 2018 the school had an adjustment for the State Foundation funding which caused a decrease State Foundation revenue. This is the primary source of revenue for the School and accounted for 81.35% of total revenues in 2018, compared to 78.42% in 2017. The School continues to supplement its State foundation revenues by applying for Federal and State grants whenever possible.

The School's most significant expenses are for purchased services. These expenses are primarily payments to the School's Sponsor (the Mahoning County Educational Service Center). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the School. In addition, the Sponsor provides personnel services to the School under a purchased services basis. Payments to the Sponsor in fiscal year 2018 totaled $1,044,107, most of which were for instructional services and student and staff support.

The School reports a negative personal services expense due to the amortization of the deferred inflow of resources related to pension.

Capital Assets

At June 30, 2018, the School had $257 invested in furniture and equipment, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Current Financial Related Activities

The School relies primarily on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the electronic conversion school. The School also provides online curriculum to school districts who want to offer alternative learning programs for students. The School charges for the online curriculum, which aids in the operation costs of the School.

In conclusion, the School has committed itself to providing online educational opportunities to students. Management will aggressively pursue adequate funding to secure the financial stability of the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors 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 financial information contact Mr. Blaise Karlovic, Treasurer, Mahoning Unlimited Classroom, 7320 Palmyra Road, Canfield, Ohio 44406.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	$ 91,382
Receivables:	
Intergovernmental	48,087
Total current assets	139,469
Non-current assets:	
Depreciable capital assets, net	257
Total non-current assets	257
Total assets	139,726
Liabilities:	
Current liabilities:	
Accounts payable	20
Intergovernmental payable	348,142
Total liabilities	348,162
Deferred inflows of resources:	
Pension	14,183
Total deferred inflows of resources	14,183
Net position:	
Investment in capital assets	257
Restricted for:	
Federally funded programs	13,324
Unrestricted	(236,200)
Total net position	$ (222,619)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
State Foundation	$ 569,444
Other opertating revenues.	239
Total operating revenues	569,683
Operating expenses:	
Personal services	(7,075)
Purchased services.	1,022,425
Materials and supplies	16,725
Other operating expenses.	43,787
Depreciation	767
Total operating expenses.	1,076,629
Operating loss	(506,946)
Non-operating revenues:	
Federal and State grants	129,810
Interest income	486
Total non-operating revenues	130,296
Change in net position	(376,650)
Net position at beginning of year	154,031
Net position (deficit) at end of year	$ (222,619)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from State Foundation	$ 350,672
Cash received from services provided to other entities.	239
Cash payments for purchased services	(1,105,944)
Cash payments for materials and supplies	(16,725)
Cash payments for other expenses	(43,787)
Net cash used in operating activities	(815,545)
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	95,957
Net cash provided by noncapital financing activities.	95,957
Cash flows from investing activities:	
Interest received	486
Net cash provided by investing activities	486
Net decrease in cash and cash equivalents	(719,102)
Cash and cash equivalents at beginning of year . . .	810,484
Cash and cash equivalents at end of year	$ 91,382
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (506,946)
Adjustments:	
Depreciation	767
Changes in assets and liabilities:	
Increase in accounts payable	(1,982)
Increase in intergovernmental payable	(300,309)
(Decrease) in deferred inflows, pensions.	(7,075)
Net cash used in operating activities	$ (815,545)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

Mahoning Unlimited Classroom (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School’s objective is to focus on providing students with curriculum and instruction via distance learning technology. The School is a public school that provides an alternative to the traditional educational setting. The School, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is a legally separate, start-up community school, served by a Board of Directors. The five-person Board of Directors, appointed by the Mahoning County Educational Service Center (ESC), consists of one person employed in an administrator position with the Mahoning County Career and Technical Center (MCCTC), three persons who are neither officers nor employees of the Mahoning County ESC or MCCTC who shall be a public educator or other public office, and one person who is appointed to represent the interests of the parents and students of the School.

Mahoning County ESC was the sponsor of the School during the period July 1, 2017 through July 30, 2017. Jefferson County ESC became the sponsor of the School on July 31, 2017 for the remainder of fiscal year 2018.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 9). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 70 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) 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.

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus and Basis of Accounting

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 (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 used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will 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, see Note 12 for deferred inflows of resources related to the School's net pension liability.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires the School to submit a financial plan detailing an estimated school budget for each fiscal year of the contract, or five years, whichever is less. Annual budget needs prepared and submitted to the Sponsor by December for Approval.

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the 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 require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

E. Cash and Cash Equivalents

Cash received by the School is maintained in a demand deposit account and is presented in the financial statements as "cash and cash equivalents".

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School maintains a capitalization threshold of $1,000. The School does not have any infrastructure. 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 capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over ten years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Net Position

Net position represents the difference between assets and liabilities and deferred inflows. The net position component "investment in capital assets" consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

H. Estimates

The preparation of financial statements in conformity with GAAP 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.

I. Tax Exemption Status

The School is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the School qualifying as an integral part of the Mahoning County ESC and the Mahoning County Career and Technical Center.

J. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2018, the School has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 *"Irrevocable Split-Interest Agreements"* GASB Statement No. 85, *"Omnibus 2017"* and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the School.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2018, the carrying amount of all School deposits was $91,382. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, all of the School's bank balance of $100,041 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018, consist of intergovernmental grants receivable. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The receivables of $48,087 consists of the following:

Intergovernmental receivables:	
IDEA Part B	$ 16,816
Title I	16,395
Improving Teacher Quality	4,876
Miscellaneous Federal Grants	10,000
Total	$ 48,087

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Furniture and equipment	$ 341,125	$ -	$ -	$ 341,125
Less: accumulated depreciation	(340,101)	(767)	-	(340,868)
Capital assets, net	$ 1,024	$ (767)	$ -	$ 257

NOTE 7 - RISK MANAGEMENT

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 contracted personnel; and natural disasters. For fiscal year 2018, professional liability is provided through the Mahoning County Educational Service Center's Wells Fargo Insurance Services USA, Inc. insurance plan which has a $500,000 limit for business income, a $1,000,000 limit for flood and earthquake, a $3,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2018, purchased service expenses were as follows:

Professional and technical services	$ 987,630
Property services	9,611
Travel expenses	4,173
Communications	16,439
Utilities	4,572
Total	$ 1,022,425

NOTE 9 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2017 and ending June 30, 2018, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS $9,403 for services during fiscal year 2018.

NOTE 9 - SERVICE AGREEMENTS (Continued)

B. Mahoning County ESC

The School has a service contract with Mahoning County ESC. This contract outlines the services that are provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2017 through June 30, 2018 were as follows:

Instructional	$ 652,657
Student and staff support	260,831
Administrative	80,251
Fiscal	50,368
Total	$ 1,044,107

NOTE 10 - CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2018, if applicable, cannot be determined at this time.

B. 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 an 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 2018.

As of the date of this report, additional ODE adjustments for fiscal year 2018 have been finalized and did not have a material impact on the School's financial statements.

On August 20, 2018 the School reached an agreement with ODE to repay the remaining fiscal year 2017 and fiscal year 2018 overpayments of $103,055 and $38,515, respectively, through June 2021.

NOTE 10 – CONTINGENCIES (Continued)

In addition, the School's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 have been finalized and did not have a material impact on the School's financial statements.

NOTE 11 - 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. As of fiscal year 2018 the School did not have any employees contributing to STRS.

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.

The 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 *due to other governments/pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School did have any contractually required contribution to STRS for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS
Pension expense	$ (7,075)

At June 30, 2018, the School reported deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred inflows of resources	
Difference between School contributions and proportionate share of contributions/ change in proportionate share	$ 14,183

Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS
Fiscal Year Ending June 30:	
2019	$ (7,075)
2020	(7,075)
2021	(33)
Total	$ (14,183)

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 13 – MANAGEMENT PLAN

As of June 30, 2018, the School had a deficit net position if $222,619. The deficit net position was due to overfunding as a result of full-time equivalency reviews performed by the Ohio Department of Education. The School has entered into a settlement agreement with the Ohio Department of Education.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.00000000%	0.00000000%	0.00000058%	0.00012371%	0.00012371%
School's proportionate share of the net pension liability	$ -	$ -	$ 160	$ 30,091	$ 35,844
School's covered payroll	$ -	$ -	$ -	$ 12,646	$ 83,892
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	237.95%	42.73%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 1,644	$ 10,906	$ 11,929	$ 16,547	$ 9,293	$ 16,881
(1,644)	(10,906)	(11,929)	(16,547)	(9,293)	(16,881)
$ -	$ -	$ -	$ -	$ -	$ -
$ 12,646	$ 83,892	$ 91,762	$ 127,285	$ 71,485	$ 129,854
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position was $154,031 at June 30, 2017, of which $135,588 is unrestricted.

- The School had operating revenues of $503,446 and operating expenses of $1,107,238 for fiscal year 2017. The School also received $138,393 in Federal and State grants and $178 in interest income during fiscal year 2017. The total change in net position for the fiscal year was a decrease of $465,221.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The s*tatement of net position* and s*tatement of revenues, expenses and changes in net position* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The table below provides a summary of the School's net position for fiscal years 2017 and 2016.

Net Position

	2017	2016
Assets		
Current assets	$ 824,718	$ 742,907
Capital assets, net	1,024	6,530
Total assets	825,742	749,437
Deferred outflows of resources	-	223
Liabilities		
Current liabilities	650,453	97,913
Long-term liabilities:		
Net pension liability	-	160
Total liabilities	650,453	98,073
Deferred inflows of resources	21,258	32,335
Net position		
Investment in capital assets	1,024	6,530
Restricted	17,419	26,427
Unrestricted	135,588	586,295
Total net position	$ 154,031	$ 619,252

During a prior year, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of 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.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position totaled $154,031.

At year-end, capital assets represented 0.12% of total assets, compared to 0.87% in 2016. Capital assets consist of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending, therefore, the School's investment in capital assets is reported as a separate component of net position.

A portion of the School's net position, $17,419, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $135,588 may be used to meet the School's ongoing obligations to the students and creditors.

The table below shows the changes in net position for fiscal years 2017 and 2016.

Change in Net Position

	2017	2016
Operating revenues:		
State Foundation	$ 503,446	$ 1,123,258
Services provided to other entities	-	2,684
Total operating revenues	503,446	1,125,942
Operating expenses:		
Personal services	-	(1,109)
Purchased services	954,655	950,374
Materials and supplies	29,939	29,156
Other	117,138	136,742
Depreciation	5,506	18,256
Total operating expenses	1,107,238	1,133,419
Non-operating revenues:		
Federal and state grants	138,393	133,959
Interest income	178	131
Total non-operating revenues	138,571	134,090
Change in net position	(465,221)	126,613
Net position at beginning of year	619,252	492,639
Net position at end of year	$ 154,031	$ 619,252

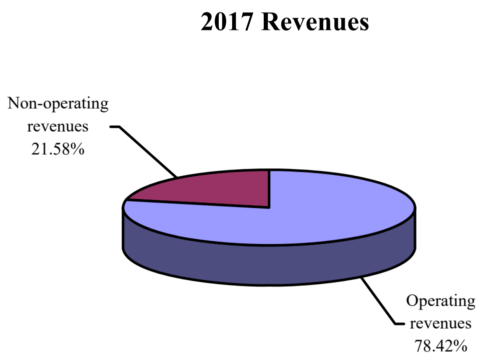
In fiscal year 2017 the school had an adjustment for the State Foundation funding which caused a decrease State Foundation revenue. This is the primary source of revenue for the School and accounted for 78.42% of total revenues in 2017, compared to 89.15% in 2016. The School continues to supplement its State foundation revenues by applying for Federal and State grants whenever possible.

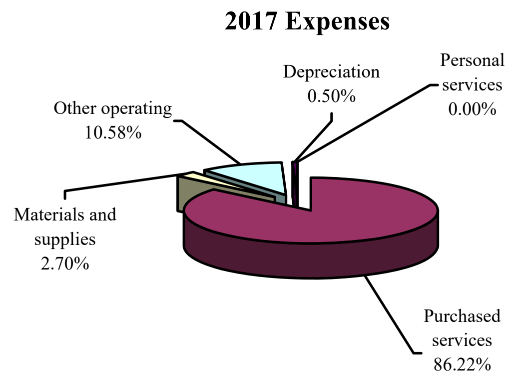
The School's most significant expenses are for purchased services. These expenses are primarily payments to the School's Sponsor (the Mahoning County Educational Service Center). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the School. In addition, the Sponsor provides personnel services to the School under a purchased services basis. Payments to the Sponsor in fiscal year 2017 totaled $1,118,026, most of which were for instructional services and student and staff support.

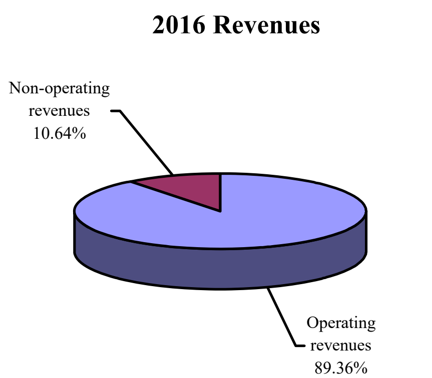
MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

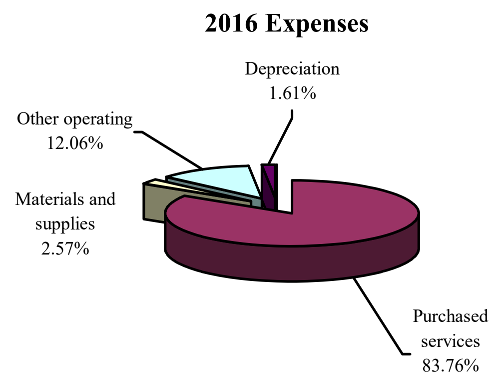
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The charts below illustrate the revenues and expenses for the School during fiscal 2017 and 2016.









Capital Assets

At June 30, 2017, the School had $1,024 invested in furniture and equipment, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The School relies primarily on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the electronic conversion school. The School also provides online curriculum to school districts who want to offer alternative learning programs for students. The School charges for the online curriculum, which aids in the operation costs of the School.

In conclusion, the School has committed itself to providing online educational opportunities to students. Management will aggressively pursue adequate funding to secure the financial stability of the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors 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 financial information contact Mr. Blaise Karlovic, Treasurer, Mahoning Unlimited Classroom, 7320 Palmyra Road, Canfield, Ohio 44406.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:	
Current assets:	
Equity in pooled cash	
and cash equivalents	$ 810,484
Receivables:	
Intergovernmental.	14,234
Total current assets	824,718
Non-current assets:	
Depreciable capital assets, net	1,024
Total non-current assets.	1,024
Total assets.	825,742
Liabilities:	
Current liabilities:	
Accounts payable.	2,002
Intergovernmental payable	648,451
Total current liabilities	650,453
Total liabilities	650,453
Deferred inflows of resources:	
Pension - STRS	21,258
Total deferred inflows of resources	21,258
Net position:	
Investment in capital assets.	1,024
Restricted for:	
State funded programs.	12,400
Federally funded programs	5,019
Unrestricted.	135,588
Total net position.	$ 154,031

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
State Foundation	$ 503,446
Total operating revenues	503,446
Operating expenses:	
Purchased services.	954,655
Materials and supplies	29,939
Other operating expenses.	117,138
Depreciation	5,506
Total operating expenses.	1,107,238
Operating loss	(603,792)
Non-operating revenues:	
Federal and State grants	138,393
Interest income	178
Total non-operating revenues	138,571
Change in net position	(465,221)
Net position at beginning of year	619,252
Net position at end of year	$ 154,031

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from State Foundation	$ 1,085,200
Cash payments for personal services.	(1,023)
Cash payments for purchased services	(952,359)
Cash payments for materials and supplies	(22,164)
Cash payments for other expenses	(148,282)
Net cash used in operating activities	(38,628)
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	177,265
Net cash provided by noncapital financing activities.	177,265
Cash flows from investing activities:	
Interest received	178
Net cash provided by investing activities	178
Net increase in cash and cash equivalents	138,815
Cash and cash equivalents at beginning of year	671,669
Cash and cash equivalents at end of year	$ 810,484
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (603,792)
Adjustments:	
Depreciation	5,506
Changes in assets and liabilities:	
Decrease in accounts receivable	2,234
Decrease in intergovernmental receivable	15,898
Increase in accounts payable	1,228
Increase in intergovernmental payable	551,312
Decrease in deferred outflows, pensions	223
(Decrease) in net pension liability.	(160)
(Decrease in deferred inflows, pensions.	(11,077)
Net cash used in operating activities	$ (38,628)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

Mahoning Unlimited Classroom (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objective is to focus on providing students with curriculum and instruction via distance learning technology. The School is a public school that provides an alternative to the traditional educational setting. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is a legally separate, start-up community school, served by a Board of Directors. The five-person Board of Directors, appointed by the Mahoning County Educational Service Center (ESC), consists of one person employed in an administrator position with the Mahoning County Career and Technical Center (MCCTC), three persons who are neither officers nor employees of the Mahoning County ESC or MCCTC who shall be a public educator or other public office, and one person who is appointed to represent the interests of the parents and students of the School.

The Mahoning County ESC sponsored the School during fiscal year 2017.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 9). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 70 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) 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.

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus and Basis of Accounting

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 (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 used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will 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, see Note 12 for deferred inflows of resources related to the School's net pension liability.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires the School to submit a financial plan detailing an estimated school budget for each fiscal year of the contract, or five years, whichever is less.

E. Cash and Cash Equivalents

Cash received by the School is maintained in a demand deposit account and is presented in the financial statements as "cash and cash equivalents".

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School maintains a capitalization threshold of $1,000. The School does not have any infrastructure. 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 capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over ten years.

G. Net Position

Net position represents the difference between assets and liabilities and deferred inflows. The net position component "investment in capital assets" consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

H. Estimates

The preparation of financial statements in conformity with GAAP 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.

I. Tax Exemption Status

The School is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the School qualifying as an integral part of the Mahoning County ESC and the Mahoning County Career and Technical Center.

J. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2017, the School has implemented 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 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

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 School.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

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 School.

NOTE 4 - DEPOSITS

At June 30, 2017, the carrying amount of all School deposits was $810,484. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, $250,000 of the School's bank balance of $817,833 was covered by the Federal Deposit Insurance Corporation (FDIC), while $567,833 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 School. The School has no deposit policy for custodial credit risk beyond the requirement of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017, consist of intergovernmental grants receivable. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The receivables of $14,234 consists of the following:

Intergovernmental receivables:	
IDEA Part B	$ 1,397
Title I	10,553
Improving Teacher Quality	2,284
Total	$ 14,234

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Furniture and equipment	$ 341,125	$ -	$ -	$ 341,125
Less: accumulated depreciation	(334,595)	(5,506)	-	(340,101)
Capital assets, net	$ 6,530	$ (5,506)	$ -	$ 1,024

NOTE 7 - RISK MANAGEMENT

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 contracted personnel; and natural disasters. For fiscal year 2017, professional liability is provided through the Mahoning County Educational Service Center's Wells Fargo Insurance Services USA, Inc. insurance plan which has a $500,000 limit for business income, a $1,000,000 limit for flood and earthquake, a $3,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased service expenses were as follows:

Professional and technical services	$ 905,370
Property services	12,107
Travel expenses	5,186
Communications	26,918
Utilities	5,074
Total	$ 954,655

NOTE 9 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2016 and ending June 30, 2017, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS $9,769 for services during fiscal year 2017.

NOTE 9 - SERVICE AGREEMENTS (Continued)

B. Mahoning County ESC

The School has a service contract with Mahoning County ESC. This contract outlines the services that are provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2016 through June 30, 2017 were as follows:

Instructional	$ 566,231
Student and staff support	252,026
Administrative	116,230
Fiscal	183,540
Total	$ 1,118,027

NOTE 10 - CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2017, if applicable, cannot be determined at this time.

B. 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 which resulted in a liability of the school and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

Additional ODE adjustments for fiscal year 2017 have been finalized. As a result, the impact of the FTC adjustment on fiscal year 2017 financial statements is an intergovernmental payable in the amount of $566,803.

In addition, the School's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are finalized.

NOTE 11 - 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. As of fiscal year 2017 the school did not have any employees contributing to STRS.

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.

The 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 *due to other governments benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	STRS
Proportion of the net pension liability prior measurement date	0.00000058%
Proportion of the net pension liability current measurement date	0.00000000%
Change in proportionate share	-0.00000058%
Proportionate share of the net pension liability	$ -
Pension expense	$ 11,014

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

	STRS
Deferred inflows of resources	
Difference between School contributions and proportionate share of contributions/ change in proportionate share	21,258
Total deferred inflows of resources	$ 21,258

Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	STRS
2018	$ (7,075)
2019	(7,075)
2020	(7,075)
2021	(33)
Total	$ (21,258)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 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 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

Funding Policy - Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
School's proportion of the net pension liability	0.00000000%	0.00000058%	0.00012371%	0.00012371%
School's proportionate share of the net pension liability	$ -	$ 160	$ 30,091	$ 35,844
School's covered-employee payroll	$ -	$ -	$ 12,646	$ 83,892
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	237.95%	42.73%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ -	$ -	$ -	$ 1,644
Contributions in relation to the contractually required contribution	-	-	-	(1,644)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ -	$ -	$ -	$ 12,646
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

2013	**2012**	**2011**	**2010**	**2009**	**2008**
$ 10,906	$ 11,929	$ 16,547	$ 9,293	$ 16,881	$ 29,228
(10,906)	(11,929)	(16,547)	(9,293)	(16,881)	(29,228)
$ -	$ -	$ -	$ -	$ -	$ -
$ 83,892	$ 91,762	$ 127,285	$ 71,485	$ 129,854	$ 224,831
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) 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, (f) 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 (g) mortality among disable member 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.

OHIO AUDITOR OF STATE
KEITH FABER

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

Mahoning Unlimited Classroom
Mahoning County
7401 Market Street, Suite 519
Youngstown, Ohio 44512

To the Governing Board:

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 Mahoning Unlimited Classroom, Mahoning County, (the School) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 17, 2019, wherein the School and the Ohio Department of Education entered into a settlement agreement regarding overpayments in funding.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

School's *Response to Findings*

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

July 17, 2019

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance and Material Weakness
Controls for Identifying and Removing Duplicate Time

Ohio Rev. Code § 3314.08(C) provides the formula upon which community schools are funded on a full-time equivalency (FTE) basis. In addition, **§ 3314.08(H)** requires the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The processes for calculating full-time equivalency and any enrollment for less than the equivalent of a full school year used by the Ohio Department of Education (ODE) under Ohio Rev. Code § 3314.08(H) are reflected in its 2018 FTE Review Manual available on its website. In order for the school to receive accurate funding under Ohio Rev. Code § 3314.08(C), the school should follow the procedures outlined in this 2018 FTE Review Manual.

Ohio Rev. Code § 3314.08(H)(3) states, in part, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours.

In *Electronic Classroom of Tomorrow v. Ohio Dept. of Edn.*, 154 Ohio St.3d 584, 2018-Ohio-3126, the Supreme Court of Ohio stated, “R.C. 3314.08 is unambiguous and authorizes ODE to require an e-school to provide data of the duration of a student’s participation to substantiate that school’s funding.”

Furthermore, **Ohio Rev. Code § 3314.27** states, each internet- or computer-based community school shall keep an accurate record of each individual student's participation in learning opportunities each day. The record shall be kept in such a manner that the information contained within it easily can be submitted to the department of education, upon request by the department or the auditor of state.

Per the **FY18 FTE Review Manual**, in order to avoid significant adjustments at the end of the year or during FTE Review, schools should estimate the student’s “percent of time attended” upon enrollment, and document and follow a procedure to update the percent of time attended periodically. E-schools only receive credit for documented learning opportunities; missed days (both excused and unexcused absences) or assignments do not count as funded hours. A final adjustment will be made at the end of the school year to precisely reflect the student’s documented hours of participation in learning opportunities. The Ohio Department of Education (ODE) will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year. At the close of the school’s fiscal year end, ODE will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to ODE based upon the accumulation of student FTE’s throughout the year. It is critical that schools accurately and timely report their student data to ODE in order for this reconciliation to be performed.

The FY18 FTE Review Manual states that “eSchools may have systems that track learning opportunity participation that take place within the school’s online system. If an eSchool’s online system has this capability, then the school must produce Excel spreadsheets showing the daily/weekly/monthly accounting of learning opportunities and the final total of all online learning opportunities that the student participated in and were tracked by the eSchool’s system.”

FINDING NUMBER 2018-001
(Continued)

Ohio Rev. Code § 3313.672 specifies documentation that must be provided in the enrollment process and includes a birth record and any pertinent court orders. Proof of residency is also needed to establish where a student is entitled to attend school under **§ 3313.64 and 3313.65**. Finally, **Ohio Rev. Code § 3317.031** requires membership records be kept intact for at least 5 years.

The Attendance Requirements section of the School's Student Handbook includes guidance over truancy. The language states, in part, that students may be considered truant if they fail to have contact with teachers or fail to log-in for a period of five consecutive days.

Testing revealed the following:

- The Learning Management System (LMS) used by the School in fiscal year 2018 did calculate duration or show aggregate times by day, week, month or year. The LMS did have a forced log-out feature to stop tracking a student's time after becoming idle for 30 minutes. Administration did not adjust log ins greater than 10 hours in a 24 hour period;
- Fiscal year 2018 off-line time was not supported by the School, documenting how much testing time and non-computer learning time each students had. The information did not include times or dates, at a minimum, which is required by the FTE manual;
- One out of 18 students in 2018 did not have a birth certificate in the student file. In addition, two new enrollees in fiscal year 2018 had a delay of 12 and 20 days, respectively, from the date of enrollment to the first log-in date and logs were not provided showing when the computers were shipped or picked up;
- The EMIS Coordinator is currently reviewing the ODDEX system for a daily basis for accuracy; however, no evidence was provided showing the EMIS Coordinator's review of this report through screenshots, initials, signatures or notes;
- Four of 18 student files reviewed in fiscal year 2018 had documentation maintaining student attendance; however, the School did not withdraw the students in a timely manner;
- Five out of 18 students in fiscal year 2018 had hours reported in EMIS in excess of 10 hours in a 24 hour period and was not adjusted by the School per ODE guidelines;
- The School does not maintain individual daily calendars or logs for students time; however, every nine weeks the teachers will adjust the students durational data;
- A review of the R500 report identified several students with over 40 unexcused absences and no evidence was provided to show the School communicated with the student or parents after five consecutive absences or log-ins;
- Three out of five students withdrawn during fiscal year 2017 were not withdrawn in a timely manner and one of the three was enrolled and withdrawn multiple times. In addition, one out of 18 students reported an FTE of one when the FTE should have been adjusted for the number of days the student was enrolled. Finally, one student withdrew in fiscal year 2018 and logged 209 hours of activity after the withdrawal date since the computer was not turned back in to the School; and
- A review of the student handbooks did not identify a policy over verification of student residence/address, documenting participation in learning opportunities for both at home, online and offline/non-classroom computer time, and capturing and reporting idle time when calculating a student's participation.

FINDING NUMBER 2018-001
(Continued)

Lack of controls over FTE can result in additional losses to the School. In addition, failure to compile non-computer, non-classroom base time in accordance with the FTE manual could allow for duplication to go undetected.

The School should continue to work with the Sponsor, the Jefferson County Educational Service Center, to ensure the requirements are being met and documented. In addition, the Sponsor should review the monthly FTE support and EMIS data that is to be submitted to ODE to allow the Sponsor to monitor compliance more effectively. The School should continue to refer to the current version of the FTE manual to ensure compliance with relevant funding guidance and requirement and should seek technical assistance from pertinent authorities as needed and appropriate. Finally, the School should review the student files to ensure the required information is included.

ODE receives a copy of this audit report. As a result of this issue, they may subsequently perform a FTE review over future years potentially impacting school funding.

Officials' Response:

1. The system logs students out of 30 minutes and no time is kept. Many times, students are still working, reading, and watching after the 30 minutes. The LMS uses 'cache' to preload info. Students often think they are still working live, but are logged out as the content was loaded prior using cache. Many times because of this feature, students tend to lose time.
2. MUC keeps a spreadsheet vetted by the teachers that provides times for any 'offline' activity. The times are very conservative. Students can also use our 'off-line' document to request additional offline time. These documents are given to each teacher to be approved. As per our records, many are not approved as the teacher does not feel the requested additional time is valid or warranted. The document turned in by student has date and lesson specific details. The teacher only highlights and signs the document IF the requested time is approved. Again, most time is NOT given. Please see documents for additional information.
3. MUC has corrected this action. MUC ONLY enrolls students if all material is provided at the time of enrollment. There are lists of items needed for enrollment. The birth certificate is one of the items. The student mentioned was enrolled prior to this absolute practice (2018-2019 school year).
9. This practice was also adjusted. Students are enrolled in a timely manner as per HB410 or 105/72 hour rule. This year, some students refused to come in to take the MAP test (are requirement from ODE). MUC made all attempts to get students to take the ODE required MAP testing. If a student is unenrolled, the student can't take the Fall or Spring Map test. Finally, students are now removed from the LMS as part of the checklist for the enrollment process. This action will be corrected by double checking the times and numbers based on the enrollment process in order to properly reflect the correct data.

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.....an Ohio Community School

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC 3314.08, 3314.03(A) and 3317 – School reported a higher FTE within EMIS for students and as a result received more funding than entitled.	Not fully corrected	The system logs students out of 30min and no time is kept. Many times, students are still working, reading, and watching after the 30 minutes. The LMS uses 'cache' to preload info. Students often think they are still working live, but are logged out as the content was loaded prior using cache. Many times because of this feature, students tend to lose time. In addition, MUC keeps a spreadsheet vetted by the teachers that provides times for any 'offline' activity. The times are very conservative. Students can also use our 'off-line' document to request additional offline time. These documents are given to each teacher to be approved. As per our records, many are not approved as the teacher does not feel the requested additional time is valid or warranted. The document turned in by student has date and lesson specific details. The teacher only highlights and signs the document IF the requested time is approved. Again, most time is NOT given. Please see documents for additional information. MUC ONLY enrolls students if all material is provided at the time of enrollment. There are lists of items needed for enrollment. The birth certificate is one of the items. The student mentioned was enrolled prior to this absolute practice (2018-2019 school year).

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OHIO AUDITOR OF STATE
KEITH FABER

MAHONING UNLIMITED CLASSROOM

MAHONING 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
AUGUST 13, 2019

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