

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Youthbuild Columbus Community School
1183 Essex Avenue
Columbus, Ohio 43201

We have reviewed the *Independent Auditor's Report* of the Youthbuild Columbus Community School, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

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FRANKLIN COUNTY, OHIO
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December 28, 2018

To the Board of Directors
YouthBuild Columbus Community School
Franklin County, Ohio
1183 Essex Avenue
Columbus, Ohio 43201

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the YouthBuild Columbus Community School, Franklin County, Ohio, (the "School") as of and for the year ended June 30, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 18 to the financial statements, the School restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75, "Accounting and Financial reporting for Postemployment Benefits other than Pensions." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School's Proportionate Share of the Net Pension Liability, Schedule of the School's Contributions - Pension, Schedule of the School's Proportionate Share of the Net OPEB Liability, and the Schedule of the School's Contributions - OPEB* on pages 4–9, 40, 41, 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

Kea & Associates, Inc.

Dublin, Ohio

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Our discussion and analysis of YouthBuild Columbus Community School (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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Total Net Position decreased \$286,672, or 15% from 2017.
- Total Liabilities decreased \$779,779, or 22%, while total assets decreased \$61,396, or 6% from 2017.
- Total revenue decreased from \$1,377,981 in fiscal year 2017 to \$1,070,415 in fiscal year 2018, a 22% decrease. This is due to enrollment and foundation revenue decreasing from FY 17 to FY 18.
- Total expenses decreased from \$2,092,815 in fiscal year 2017 to \$1,357,087 in fiscal year 2018, a 35% decrease.
- The School has \$2,154,092 in long term liabilities as of June 30, 2018.
- During fiscal year 2018, the School implemented GASB Statement NO. 75 which caused a restatement of beginning net position from \$(1,507,977) to \$(1,968,079).

Using this Financial Report

This report consists of three parts, the required supplementary information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2018. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net position and changes in net position. This change in Net Position is important because it tells the reader whether 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. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, cash flow, required educational programs and other factors.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2018. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Table 1 provides a summary of the School's Net Position as of June 30, 2018 compared to the prior year.

(Table 1)
Statement of Net Position

	2018	Restated 2017
Assets		
Current Assets	\$ 41,796	\$ 12,907
Capital Assets, Net	977,617	1,067,902
Total Assets	1,019,413	1,080,809
Deferred Outflows		
Pension Requirements	398,313	809,633
OPEB	10,982	1,771
Total Deferred Outflows of Resources	409,295	811,404
Liabilities		
Current Liabilities	623,476	503,466
Long Term Liabilities	2,154,092	3,051,881
Total Liabilities	2,777,568	3,555,347
Deferred Inflows		
Pension Requirements	708,177	304,945
OPEB	197,714	-
Total Deferred Inflows of Resources	905,891	304,945
Net Position		
Net Investment in Capital Assets	966,321	1,043,097
Unrestricted	(3,221,072)	(3,011,176)
Total Net Position	\$ (2,254,751)	\$(1,968,079)

Capital assets decreased by \$90,285 due to depreciation exceeding current year additions. Also, current assets increased \$28,889, or 224% from 2017. This was due to increases in cash and prepaid expenses during fiscal year 2018. Liabilities decreased by \$779,779 and net position decreased by \$286,672 in 2018.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Statement of Revenues, Expenses, and Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2018, as well as a listing of revenues and expenses. 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 cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**Table 2
Changes in Net Position**

	2018	2017
<u>Operating Revenues</u>		
Foundation	\$ 900,989	\$1,166,685
Miscellaneous Operating	11,361	37,464
Other State Aid	19,861	26,427
<u>Non-Operating Revenues</u>		
Interest Income	-	27
Private Contributions	-	100
Grants	138,204	147,278
Total Revenues	1,070,415	1,377,981
<u>Operating Expenses</u>		
Salaries	7,275	615,976
Fringe Benefits	2,251	531,716
Pension/OPEB Expense	(197,146)	-
Purchased Services: Salaries and Benefits	715,266	-
Purchased Services: Management Fees	182,444	-
Sponsorship Fees	24,030	-
Auditing and Accounting	55,712	-
Other Professional Services	148,633	-
Other Purchased Services	233,701	596,019
Materials and Supplies	46,902	45,708
Depreciation	90,285	105,556
Other	27,328	35,837
<u>Non-Operating Expenses</u>		
Bad Debt Expense	-	94,531
Loss on Sale of Asset	-	59,605
Interest on Notes Payable	20,406	7,867
Total Expenses	1,357,087	2,092,815
Total Increase (Decrease) in Net Position	\$ (286,672)	\$(714,834)

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up over 97% of all revenues for the School in fiscal year 2018. Revenues decreased from fiscal year 2017 due to decreases in enrollment (97 students in fiscal year 2017 vs. 82 students in fiscal year 2018).

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, the School adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 payments, State statute does not assign/identify the responsible party for the

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School's statements include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of \$1,507,977 to a deficit of \$1,968,079.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$941 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$74,641. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$	1,357,087
Negative OPEB Expense under GASB 75		74,641
2018 Contractually Required Contribution		1,158
Adjusted 2018 Program Expenses		1,432,886
Total 2017 Program Expenses under GASB 45		2,092,815
Decrease in Program Expenses not Related to OPEB	\$	(659,929)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School has \$977,617 in total net capital assets. The largest capital asset is the school building. See Note 4 to the basic financial statements.

Debt

At June 30, 2018, the School had \$228,132 in outstanding debt due to J. P. Morgan Chase Bank for a mortgage on the school building, and \$11,296 due to Konica Minolta for a capital lease. See Notes 14 in the notes to the basic financial statements.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase. Enrollment for the school is at 135 students as of December 2018, an increase from 82 in June 2018. But, future revenue increases are cautious due to the susceptibility of changes in Ohio's funding model.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, CFO, YouthBuild Columbus Community School, 1183 Essex Ave. Columbus, OH 43215.

**Youthbuild Columbus Community School
Franklin County, Ohio
Statement of Net Position
June 30, 2018**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 24,341
Intergovernmental Receivable	2,369
Prepays	<u>15,086</u>

Total Current Assets 41,796

Noncurrent Assets:

Capital Assets:

Non-Depreciable Capital Assets	97,889
Depreciable Capital Assets, net	<u>879,728</u>

Total Noncurrent Assets 977,617

Total Assets 1,019,413

Deferred Outflows

Pension Requirements	398,313
OPEB	<u>10,982</u>

Total Deferred Outflows of Resources 409,295

Liabilities

Current Liabilities:

Accounts Payable	506,621
Intergovernmental Payable	83,461
Capital Leases	3,133
Notes Payable	<u>30,261</u>

Total Current Liabilities 623,476

Long-Term Liabilities:

Capital Leases	8,163
Notes Payable	197,872
Net Pension Liability	1,559,561
Net OPEB Liability	<u>388,496</u>

Total Long-Term Liabilities 2,154,092

Total Liabilities 2,777,568

Deferred Inflows

Pension Requirements	708,177
OPEB	<u>197,714</u>

Total Deferred Inflows 905,891

Net Position

Net Invested In Capital Assets	966,321
Unrestricted	<u>(3,221,072)</u>

Total Net Position \$ (2,254,751)

See accompanying notes to the basic financial statements

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Operating Revenues</u>	
Foundation	\$ 900,989
Other State Aid	19,861
Miscellaneous Operating Revenue	<u>11,361</u>
Total Operating Revenues	<u>932,211</u>
<u>Operating Expenses</u>	
Salaries	7,275
Fringe Benefits	2,251
Pension and OPEB Expense	(197,146)
Purchased Services: Salaries and Benefits	715,266
Purchased Services: Management Fees	182,444
Sponsorship Fees	24,030
Auditing and Accounting	55,712
Other Professional Services	148,633
Other Purchased Services	233,701
Materials and Supplies	46,902
Depreciation	90,285
Other	<u>27,328</u>
Total Operating Expenses	<u>1,336,681</u>
Operating Loss	<u>(404,470)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Grants	138,204
Interest and Fiscal Charges	<u>(20,406)</u>
Total Non-Operating Revenues (Expenses)	<u>117,798</u>
Change in Net Position	(286,672)
Net Position Beginning of Year-Restated	<u>(1,968,079)</u>
Net Position End of Year	<u><u>\$ (2,254,751)</u></u>

See accompanying notes to the basic financial statements

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State	\$ 904,327
Cash Received from Other Operating Sources	11,361
Cash Payments to Employees for Services and Benefits	(58,349)
Cash Payments to Suppliers for Goods and Services	(1,075,347)

Net Cash Provided by (Used in) Operating Activities	<u>(218,008)</u>
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Cash Flows from Noncapital Financing Activities

Cash Received from Notes Payable	250,000
Principal Payments-Notes Payable	(21,867)
Interest Paid-Notes Payable	(12,000)
Principal Payments-Line of Credit	(100,181)
Interest Paid-Line of Credit	(2,755)
Grants Received	141,551

Net Cash Provided by Noncapital Financing Activities	<u>254,748</u>
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Cash Flows from Capital and Related Financing Activities

Principal Payments-Capital Leases	(2,634)
Interest Paid-Capital Leases	(2,233)
Interest Paid-Notes Payable	(80)
Financing Charges	(3,338)
Principal Payments-Notes Payable	(10,875)

Net Cash Provided by (Used in) Financing Activities	<u>(19,160)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	17,580
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Cash and Cash Equivalents Beginning of Year	<u>6,761</u>
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Cash and Cash Equivalents End of Year	<u><u>\$ 24,341</u></u>
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**Reconciliation of Operating Loss to Net Cash
Provided by (Used in) Operating Activities**

Operating Loss	\$ (404,470)
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Adjustments:

Depreciation	90,285
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Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:

Prepaid Items	(14,196)
Accounts Payable	265,652
Accrued Wages and Benefits	(48,823)
Intergovernmental Payable	(16,973)
Net Pension Liability	(1,019,151)
Deferred Outflows-Pension	411,320
Deferred Inflows-Pension	403,232
Net OPEB Liability	(73,377)
Deferred Outflows-OPEB	(9,221)
Deferred Inflows-OPEB	197,714

Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (218,008)</u></u>
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See accompanying notes to the basic financial statements

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**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. DESCRIPTION OF THE ENTITY

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year-round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School was approved for operation on June 14, 2001, under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001. The school is currently sponsored by Buckeye Community Hope Foundation under an original five-year term that ended on June 30, 2016. The school signed a new contract ending on June 30, 2019 for a 3 percent fee.

The five-member Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's principal, full time non-certified staff, and certified full time teaching personnel who provide services to approximately 82 students during the school year.

The School contracts with Cambridge Education LLC (CEG), for most of its functions. CEG is a Delaware limited liability company and is the entity with which the School's board interacts regarding day-to-day operations (see Note 16 for details).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the School are included on the Statement of Net Position.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The Statement of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

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.

D. Cash and Cash Equivalents

All cash received by the School is deposited in demand accounts in the School's name. The School did not have any investments during fiscal year 2018.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. 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, improvements, however, are capitalized. Building, vehicles, furniture and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to Capital assets are depreciated over the remaining useful lives of the related capital assets.

The following is the estimated useful lives for building, vehicles, furniture and equipment:

<u>Asset</u>	<u>Useful Life</u>
Building	45 years
Vehicles	6 - 10 years
Furniture and Equipment	1 - 10 years

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the state foundation and state disadvantaged pupil impact aid programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2018 school year totaled \$1,059,054.

G. Estimates

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

H. Net Position

Net position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

I. Operating Revenues and Expenses

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.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used.

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(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense; 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Note 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position (See Note 8 and 9).

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2018, the book amount of the School's deposits was \$24,341 and the bank balance was \$54,773. The total bank balance was insured by the FDIC at June 30, 2018.

The School had no investments at June 30, 2018 or during the fiscal year.

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(Continued)**

4. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2018, follows:

	<u>Balance 06/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/18</u>
Capital Assets Not Being Depreciated:				
Land	\$ 97,889	\$ -	\$ -	\$ 97,889
Capital Assets Being Depreciated:				
Building	1,575,132	-	-	1,575,132
Vehicles	50,519	-	-	50,519
Furniture and Equipment	612,200	-	-	612,200
Total Capital Assets Being Depreciated	<u>2,237,851</u>	<u>-</u>	<u>-</u>	<u>2,237,851</u>
Less Accumulated Depreciation:				
Building	(639,463)	(74,664)	-	(714,127)
Vehicles	(48,337)	(1,296)	-	(49,633)
Furniture and Equipment	(580,038)	(14,325)	-	(594,363)
Total Accumulated Depreciation	<u>(1,267,838)</u>	<u>(90,285)</u>	<u>-</u>	<u>(1,358,123)</u>
Net Total Capital Assets	<u>\$ 1,067,902</u>	<u>\$ (90,285)</u>	<u>\$ -</u>	<u>\$ 977,617</u>

5. INTERGOVERNMENTAL RECEIVABLE/PAYABLE AND PREPAID EXPENSES

At June 30, 2018, The School had intergovernmental receivables in the amount of \$2,369 to account for CCIP undrawn funds. The school also had \$83,461 in intergovernmental payables related to FY 16 and FY 17 FTE adjustments to enrollment at June 30, 2018.

6. ACCOUNTS PAYABLE

Accounts Payable consists of obligations totaling \$506,621 at June 30, 2018, incurred during the normal course of conducting operations.

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2014, the School contracted with Accordia of Illinois Insurance Company for property and general liability insurance. The property insurance limits are \$1,000 deductible and \$385,000 aggregate. The general liability insurance limits are \$1,000,000 each occurrence and \$2,000,000 aggregate. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

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(Continued)**

7. RISK MANAGEMENT (Continued)

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2018.

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School 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 accounts payable.

Plan Description - School Employees Retirement System (SERS)

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

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School's contractually required contribution to SERS was \$25,813 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at 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.

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 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's contractually required contribution to STRS was \$56,281 for fiscal year 2018.

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

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 independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 1,036,129	\$ 523,432	\$ 1,559,561
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00436169%	0.00876070%	
Prior Measurement Date	0.00681342%	0.01072290%	
Change in Proportionate Share	<u>-0.00245173%</u>	<u>-0.00196220%</u>	
Pension Expense	\$ (195,335)	\$ 72,830	\$ (122,505)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 40,012	\$ 22,528	\$ 62,540
Changes of Assumptions	226,613	27,066	253,679
School Contributions Subsequent to the Measurement Date	56,281	25,813	82,094
Total Deferred Outflows of Resources	<u>\$ 322,906</u>	<u>\$ 75,407</u>	<u>\$ 398,313</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 8,350	\$ 0	\$ 8,350
Net Difference between Projected and Actual Earnings on Pension Plan Investments	34,195	2,487	36,682
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	575,497	87,648	663,145
Total Deferred Inflows of Resources	<u>\$ 618,042</u>	<u>\$ 90,135</u>	<u>\$ 708,177</u>

\$82,094 reported as deferred outflows of resources related to pension resulting from the School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

Fiscal Year Ending June 30:	STRS	SERS	Total
2019	\$ (97,240)	\$ (11,479)	\$ (108,719)
2020	(50,727)	(596)	(51,323)
2021	(77,679)	(22,349)	(100,028)
2022	(125,771)	(6,117)	(131,888)
	<u>\$ (351,417)</u>	<u>\$ (40,541)</u>	<u>\$ (391,958)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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8. DEFINED BENEFIT PENSION PLANS (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School's Proportionate Share of the Net Pension Liability	\$ 726,388	\$ 523,432	\$ 353,416

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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.

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.

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 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. Based on those assumptions, STRS'

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

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 payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's Proportionate Share of the Net Pension Liability	\$ 1,485,255	\$ 1,036,129	\$ 657,807

Assumption Changes since the Prior Measurement Date

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes since the Prior Measurement Date

Effective July 1, 2017, the COLA was reduced to zero.

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the School proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

Ohio Revised Code limits the School obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which OPEB are financed; however, the School does receive the benefit of employees' services in exchange for compensation including OPEB.

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School's surcharge obligation was \$940.

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was \$1,158 for fiscal year 2018.

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.

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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.00813490%	0.00436169%	
Prior Measurement Date	0.01011851%	0.00681342%	
Change in Proportionate Share	<u>-0.00198361%</u>	<u>-0.00245173%</u>	
Proportionate Share of the Net OPEB Liability	\$ 218,319	\$ 170,177	\$ 388,496
OPEB Expense	\$ (3,981)	\$ (70,660)	\$ (74,641)

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

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 9,824	\$ 9,824
School District Contributions Subsequent to the Measurement Date	1,158	0	1,158
Total Deferred Outflows of Resources	<u>\$ 1,158</u>	<u>\$ 9,824</u>	<u>\$ 10,982</u>
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	\$ 577	\$ 7,274	\$ 7,851
Changes of Assumptions	20,718	13,708	34,426
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	43,049	112,388	155,437
Total Deferred Inflows of Resources	<u>\$ 64,344</u>	<u>\$ 133,370</u>	<u>\$ 197,714</u>

\$1,158 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (23,248)	\$ (21,197)	\$ (44,445)
2020	(23,248)	(21,197)	(44,445)
2021	(17,703)	(21,197)	(38,900)
2022	(145)	(21,199)	(21,344)
2023	0	(19,379)	(19,379)
Thereafter	0	(19,377)	(19,377)
	<u>\$ (64,344)</u>	<u>\$ (123,546)</u>	<u>\$ (187,890)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate	
Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.98 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.50 percent - 5.00 percent
Pre-Medicare	7.50 percent - 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
School's Proportionate Share of the Net OPEB Liability	\$ 263,648	\$ 218,319	\$ 182,407
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's Proportionate Share of the Net OPEB Liability	\$ 177,150	\$ 218,319	\$ 272,808

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates 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. For disabled retirees, 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.

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

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was

updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>100.00 %</u>	

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School's Proportionate Share of the Net OPEB Liability	\$ 228,460	\$ 170,177	\$ 124,115
	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 118,232	\$ 170,177	\$ 238,543

10. PURCHASED SERVICES

For the period July 1, 2017 through June 30, 2018, purchased service expenses were for the following services:

	2018
Property Services	67,564
Travel and Professional Development	1,536
Communications	60,715
Utilities	33,446
Trade Services	48,466
Transportation	21,974
Total	\$ 233,701

11. TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

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12. LONG-TERM LIABILITIES

A summary of long-term obligation on the mortgage outstanding for land, buildings and improvements at June 30, 2018, is as follows:

	Restated			Amounts	
	Balance			Balance	Due Within
	<u>6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2018</u>	<u>one year</u>
JP Morgan Chase-Note 1	\$ 10,875	\$ -	\$ (10,875)	\$ -	\$ -
JP Morgan Chase-Note 2	-	250,000	(21,867)	228,132	30,261
Net Pension Liability	2,578,712	-	(1,019,151)	1,559,561	-
Net OPEB Liability-Restated	461,873	-	(73,377)	388,496	-
Konica Minolta	<u>13,930</u>	<u>-</u>	<u>(2,634)</u>	<u>11,296</u>	<u>3,133</u>
Total Long-Term Liabilities	<u>\$ 3,065,390</u>	<u>\$ 250,000</u>	<u>\$(1,127,905)</u>	<u>\$2,187,485</u>	<u>\$ 33,394</u>

Net Pension Liability – See Note 8 for related information.

Net OPEB Liability – See Note 9 for related information.

Capital Leases – See Note 15 for related information

Year(s)	Principal	Interest	Total
2019	\$ 30,261	\$ 14,895	\$ 45,156
2020	32,397	12,759	45,156
2021	34,754	10,402	45,156
2022	37,246	7,910	45,156
2023	39,917	5,239	45,156
2024-2025	<u>53,557</u>	<u>2,509</u>	<u>56,064</u>
	<u>\$ 228,132</u>	<u>\$ 53,712</u>	<u>\$ 281,844</u>

J.P. Morgan Chase Bank (Mortgage)-Note 1 – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated August 13, 2010, in the amount of \$376,863. This Note is for the purpose of acquiring land, a building and improvement to be used as an educational facility. Terms of the mortgage provide for monthly payments of \$5,477, principal and interest, for 84 months at an annual interest rate of 5.84%. At June 30, 2018, the note was paid in full. Principal payments totaling \$10,875 were made for the year ending June 30, 2018. Interest comprised of \$80.

J.P. Morgan Chase Bank (Mortgage)-Note 2 – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated September 2017, in the amount of \$250,000. This Note is for the purpose of getting cash to help with reduced revenue due to declining enrollment. Terms of the mortgage provide for monthly payments of \$3,763, principal and interest, for 84 months at an annual interest rate of 6.85%. At June 30, 2018, the principal balance was \$228,132. Interest and principal payments totaling \$33,867 were made for the year ending June 30, 2018. Interest comprised of \$12,000.

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13. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement 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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2018.

B. Full Time Equivalency

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2018.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

C. Litigation

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

14. SPONSOR

In June 2016, a sponsorship agreement was executed between the school and Buckeye Community Hope Foundation for a three (3) year period beginning July 1, 2016. Under this agreement, the school pays the Sponsor "up to" 3% of State Aid (see Note 2 F). Sponsor fee expense at June 30, 2018, totaled \$24,030.

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(Continued)**

15. CAPITALIZED LEASE OBLIGATIONS

The school entered into a capitalized lease for the acquisition of equipment. The lease meets the criteria of a capital lease as defined by standards "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment of \$16,144 with accumulated depreciation of \$6,458. The School paid \$2,634 in principal and \$2,233 in interest for the fiscal year ended June 30, 2018.

	<u>Year(s)</u>	<u>Capital Lease Payments</u>
	2019	\$ 4,867
	2020	4,867
	2021	4,867
		\$ 14,601
Less: Amount Representing Interest		(3,305)
Present Value of Minimum Payments		\$ 11,296

16. AGREEMENT WITH CAMBRIDGE EDUCATION

Effective July 1, 2017, the School entered into a multi-year Management Agreement (Agreement) with Midwest Education Partners, dba Cambridge Education Group (CEG) which is a subsidiary of Newpoint Education for consulting and management of the School. The Agreement's term runs through June 30, 2022.

CEG is responsible and accountable to the Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 18 percent of gross revenues. In addition to the management fee described above, the School will reimburse CEG for its payroll and other costs eligible for reimbursements.

The School had purchased service expenses for the year ended June 30, 2018, to CEG of \$715,266 (which includes \$182,444 in management fees), with payable to CEG at June 30, 2018, aggregating \$466,670. CEG is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

17. DEBT OBLIGATIONS- SHORT-TERM

At June 30, 2018, the following table represents the Schools' short-term debt issuances:

	<u>Principal</u>			<u>Principal</u>
	<u>Outstanding</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u>
	<u>6/30/2017</u>	<u>6/30/2017</u>	<u>6/30/2017</u>	<u>6/30/2017</u>
Chase Bank - Line of Credit	\$100,181	\$0	\$(100,181)	\$0

In March of 2017, the school entered into a line of credit Note with Chase Bank in the amount of \$100,000 to be repaid with interest at a rate of 9.4%. The school can draw upon the line of credit or repair it in full at any time. The line was paid in full during 2018.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

18. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, 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 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the School's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

Net Position, June 30, 2017	\$ (1,507,977)
Adjustments:	
Net OPEB Liability	(461,873)
Deferred Outflow-Payments Subsequent to Measurement Date	1,771
Restated Net Position, July 1, 2017	\$ (1,968,079)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

19. MANAGEMENT COMPANY EXPENSES

<u>Expenses</u>	<u>Total</u>
<u>Direct Expenses</u>	
Salaries and Wages	
Regular Instruction	\$ 271,649
Special Instruction	33,279
Support Services	209,399
Employees' benefits	
Regular Instruction	22,780
Special Instruction	4,684
Support Services	15,531
Professional and technical services	
Noninstructional activities	3,056
Travel	
Noninstructional activities	4,846
Communications	
Noninstructional activities	665
Books, periodicals, and films	
Instruction	382
Food and Related Supplies	
Noninstructional activities	3,438
Instruction	
Other Supplies	
Noninstructional activities	2,483
Other direct costs	
Noninstructional activities	4,584
<u>Indirect Expenses</u>	
Overhead	
Support Services	31,004
Noninstructional activities	17,986
Total Expenses	\$ 625,766

For the year ended June 30, 2018, Cambridge Education Group, LLC and its affiliates incurred the following expenses on behalf of the School. Note to the Schedule of Management Company Expenses: Cambridge Education Group charges expenses benefiting more than one school (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2018 by each school it manages. Employee Benefits do not include pension expenses. Under management agreement with the school, the school is responsible for pension expenses for direct school staff.

YouthBuild Columbus Community School
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
<i>School Employees Retirement System (SERS)</i>					
School District's Proportion of the Net Pension Liability	0.00876070%	0.01072290%	0.01184870%	0.01107900%	0.01107900%
School District's Proportionate Share of the Net Pension Liability	\$ 523,432	\$ 298,055	\$ 676,098	\$ 560,702	\$ 658,833
School District's Covered Payroll	\$ 286,957	\$ 370,971	\$ 400,197	\$ 289,012	\$ 429,762
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.41%	80.34%	168.94%	194.01%	153.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
<i>State Teachers Retirement System (STRS)</i>					
School District's Proportion of the Net Pension Liability	0.00436169%	0.00681342%	0.00558179%	0.00511459%	0.00511459%
School District's Proportionate Share of the Net Pension Liability	\$ 1,036,129	\$ 2,280,657	\$ 1,542,643	\$ 1,244,045	\$ 1,481,899
School District's Covered Payroll	\$ 479,514	\$ 623,314	\$ 557,529	\$ 664,638	\$ 666,669
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	365.89%	276.69%	187.18%	222.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%
(1) Information prior to 2014 is not available.					
Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.					
See accompanying notes to the required supplementary information.					

Youthbuild Columbus Community School
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Contributions-Pension
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School Employees Retirement System (SERS)										
Contractually Required Contribution	\$ 25,813	\$ 40,174	\$ 51,936	\$ 52,746	\$ 40,057	\$ 59,479	\$ 50,207	\$ 45,723	\$ 40,047	\$ 13,419
Contributions in Relation to the Contractually Required Contribution	(25,813)	(40,174)	(51,936)	(52,746)	(40,057)	(59,479)	(50,207)	(45,723)	(40,047)	(13,419)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School District's Covered Payroll	\$ 191,207	\$ 286,957	\$ 370,971	\$ 400,197	\$ 289,012	\$ 429,762	\$ 373,286	\$ 363,747	\$ 295,768	\$ 136,372
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$ 56,281	\$ 67,132	\$ 87,264	\$ 78,054	\$ 86,403	\$ 86,667	\$ 62,093	\$ 110,003	\$ 87,192	\$ 101,983
Contributions in Relation to the Contractually Required Contribution	(56,281)	(67,132)	(87,264)	(78,054)	(86,403)	(86,667)	(62,093)	(110,003)	(87,192)	(101,983)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School District's Covered Payroll	\$ 402,007	\$ 479,514	\$ 623,314	\$ 557,529	\$ 664,638	\$ 666,669	\$ 477,638	\$ 846,177	\$ 670,708	\$ 784,485
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
See accompanying notes to the required supplementary information.										

YouthBuild Columbus Community School
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
<i>School Employees Retirement System (SERS)</i>		
School District's Proportion of the Net OPEB Liability	0.00813490%	0.01008937%
School District's Proportionate Share of the Net OPEB Liability	\$ 218,319	\$ 97,490
School District's Covered Payroll	\$ 286,957	\$ 370,971
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.08%	26.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>		
School District's Proportion of the Net OPEB Liability	0.00436169%	0.00681342%
School District's Proportionate Share of the Net OPEB Liability	\$ 170,177	\$ 364,383
School District's Covered Payroll	\$ 479,514	\$ 623,314
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.49%	58.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%
(1) Information prior to 2017 is not available.		
Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.		
See accompanying notes to the required supplementary information.		

Youthbuild Columbus Community School
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Contributions - OPEB
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
School Employees Retirement System (SERS)										
Contractually Required Contribution (1)	\$ 1,158	\$ 941	\$ 1,771	\$ 3,731	\$ 4,604	\$ 12,363	\$ 10,592	\$ 3,395	\$ 6,809	\$ 6,809
Contributions in Relation to the Contractually Required Contribution	<u>(1,158)</u>	<u>(941)</u>	<u>(1,771)</u>	<u>(3,731)</u>	<u>(4,604)</u>	<u>(12,363)</u>	<u>(10,592)</u>	<u>(3,395)</u>	<u>(6,809)</u>	<u>(6,809)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 184,378	\$ 286,957	\$ 370,971	\$ 400,197	\$ 289,012	\$ 429,762	\$ 373,286	\$ 363,747	\$ 295,768	\$ 136,372
OPEB Contributions as a Percentage of Covered Payroll (1)	0.63%	0.33%	0.48%	0.93%	1.59%	2.88%	2.84%	0.93%	2.30%	4.99%
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,646	\$ 6,667	\$ 4,776	\$ 8,462	\$ 6,707	\$ 7,845
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,646)</u>	<u>(6,667)</u>	<u>(4,776)</u>	<u>(8,462)</u>	<u>(6,707)</u>	<u>(7,845)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 402,007	\$ 479,514	\$ 623,314	\$ 557,529	\$ 664,638	\$ 666,669	\$ 477,638	\$ 846,177	\$ 670,708	\$ 784,485
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

**Youthbuild Columbus Community School
Franklin County, Ohio**
*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018*

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- 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 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
 - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

**Youthbuild Columbus Community School
Franklin County, Ohio**
*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018*

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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December 28, 2018

To the Board of Directors
YouthBuild Columbus Community School
Franklin County, Ohio
1183 Essex Avenue
Columbus, OH 43201

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the YouthBuild Columbus Community School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 28, 2018, in which we noted that the School restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about 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 have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rea & Associates, Inc.

Dublin, Ohio

Youthbuild Columbus Community School
Franklin County, Ohio
Schedule of Findings and Responses
June 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2018-001

Material Weakness: Internal Control over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Condition: Material audit adjustments were made to the financial statements presented for audit.

Cause: When completing the GASB 75 accruals, the School utilize the incorrect school code to determine the SERS and STRS amounts. This caused the calculation of deferred outflows of resources related to OPEB to be overstated by \$30,312, net OPEB liability to be understated by \$88,040, the deferred inflows of resources related to OPEB to be understated \$51,637, and net position to be understated by \$169,989. In addition a reclassification entry was made between Net Invested in Capital Assets and Unrestricted net position by \$228,133 due to debt agreements not directly related to capital asset improvements.

Effect: The financial statements were materiality misstated by the amounts summarized above.

Recommendation: We recommend the Treasurer work with the contracted accountant completing the calculations to ensure they are correct and that the financial statements are thoroughly reviewed by the Treasurer prior to submitting them for audit.

Management's Response:

We did not receive a response from Management to this finding.

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OHIO AUDITOR OF STATE KEITH FABER



YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2019**