MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Mahoning Unlimited Classroom, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2017

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position was $619,252 at June 30, 2016, of which $586,295 is unrestricted.

- The School had operating revenues of $1,125,942 and operating expenses of $1,133,419 for fiscal year 2016. The School also received $133,959 in Federal and State grants and $131 in interest income during fiscal year 2016. The total change in net position for the fiscal year was an increase of $126,613.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2016?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The table below provides a summary of the School's net position for fiscal years 2016 and 2015.

Net Position

	2016	2015
Assets		
Current assets	$ 742,907	$ 560,239
Capital assets, net	6,530	24,786
Total assets	749,437	585,025
Deferred outflows of resources	223	290
Liabilities		
Current liabilities	97,913	57,018
Long-term liabilities:		
Net pension liability	160	30,091
Total liabilities	98,073	87,109
Deferred inflows of resources	32,335	5,567
Net position		
Investment in capital assets	6,530	24,786
Restricted	26,427	34,459
Unrestricted	586,295	433,394
Total net position	$ 619,252	$ 492,639

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the School's net position totaled $619,252.

At year-end, capital assets represented 0.87% of total assets, compared to 4.24% in 2015. Capital assets consist of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending, therefore, the School's investment in capital assets is reported as a separate component of net position.

A portion of the School's net position, $26,427, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $586,295 may be used to meet the School's ongoing obligations to the students and creditors.

The table below shows the changes in net position for fiscal years 2016 and 2015.

Change in Net Position

	2016	2015
Operating revenues:		
State Foundation	$ 1,123,258	$ 961,665
Services provided to other entities	2,684	3,948
Total operating revenues	1,125,942	965,613
Operating expenses:		
Personal services	(1,109)	1,552
Purchased services	950,374	796,355
Materials and supplies	29,156	8,491
Other	136,742	114,281
Depreciation	18,256	29,929
Total operating expenses	1,133,419	950,608
Non-operating revenues:		
Federal and state grants	133,959	80,903
Interest income	131	120
Total non-operating revenues	134,090	81,023
Change in net position	126,613	96,028
Net position at beginning of year	492,639	396,611
Net position at end of year	$ 619,252	$ 492,639

The School experienced an increase in enrollment for fiscal year 2016, which led to an increased State Foundation revenue. This is the primary source of revenue for the School and accounted for 89.15% of total revenues in 2016, compared to 91.88% in 2015. The School continues to supplement its State foundation revenues by applying for Federal and State grants whenever possible.

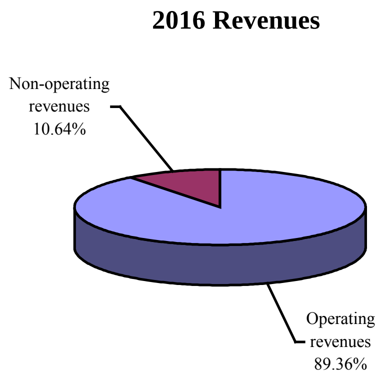
The School's most significant expenses are for purchased services. These expenses are primarily payments to the School's Sponsor (the Mahoning County Educational Service Center). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the School. In addition, the Sponsor provides personnel services to the School under a purchased services basis. Payments to the Sponsor in fiscal year 2016 totaled $979,498, most of which were for instructional services and student and staff support.

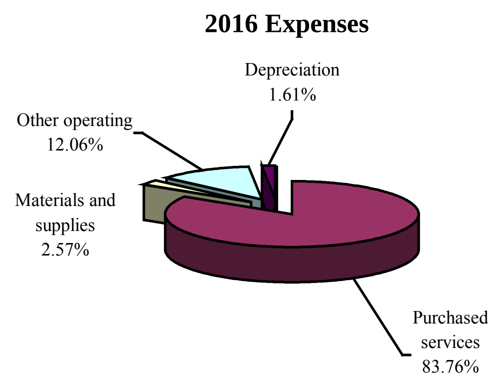
The School reports a negative personal services expense because of the large decrease in the net pension liability for fiscal year 2016.

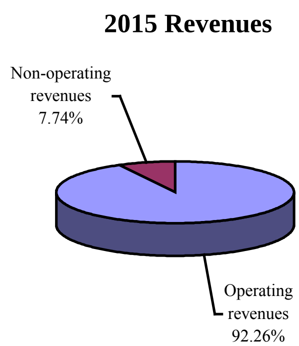
MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

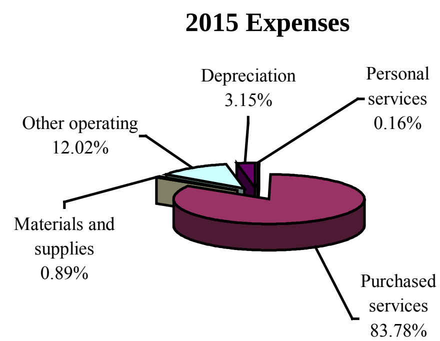
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The charts below illustrate the revenues and expenses for the School during fiscal 2016 and 2015.









Capital Assets

At June 30, 2016, the School had $6,530 invested in furniture and equipment, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Blaise Karlovic, Treasurer, Mahoning Unlimited Classroom, 7320 Palmyra Road, Canfield, Ohio 44406.

BASIC
FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	$ 671,669
Receivables:	
Accounts	2,234
Intergovernmental	69,004
Total current assets	742,907
Non-current assets:	
Depreciable capital assets, net	6,530
Total non-current assets	6,530
Deferred outflows of resources:	
Pension - STRS	223
Total deferred outflows of resources	223
Total assets	749,660
Liabilities:	
Current liabilities:	
Accounts payable	774
Intergovernmental payable	97,139
Total current liabilities	97,913
Non-current liabilities:	
Net pension liability (see Note 11)	160
Total non-current liabilities	160
Total liabilities	98,073
Deferred inflows of resources:	
Pension - STRS	32,335
Total deferred inflows of resources	32,335
Net position:	
Investment in capital assets	6,530
Restricted for:	
State funded programs	12,400
Federally funded programs	14,027
Unrestricted	586,295
Total net position	$ 619,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
State Foundation	$ 1,123,258
Services provided to other entities	2,684
Total operating revenues	1,125,942
Operating expenses:	
Personal services	(1,109)
Purchased services.	950,374
Materials and supplies	29,156
Other operating expenses.	136,742
Depreciation	18,256
Total operating expenses.	1,133,419
Operating loss	(7,477)
Non-operating revenues:	
Federal and State grants	133,959
Interest income	131
Total nonoperating revenues	134,090
Change in net position	126,613
Net position at beginning of year	492,639
Net position at end of year	$ 619,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from State Foundation	$ 1,112,995
Cash received from services provided to other entities.	2,684
Cash payments for personal services.	(1,987)
Cash payments for purchased services	(915,850)
Cash payments for materials and supplies	(29,156)
Cash payments for other expenses	(133,552)
Net cash provided by operating activities	35,134
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	152,988
Net cash provided by noncapital financing activities.	152,988
Cash flows from investing activities:	
Interest received	131
Net cash provided by investing activities	131
Net increase in cash and cash equivalents	188,253
Cash and cash equivalents at beginning of year	483,416
Cash and cash equivalents at end of year	$ 671,669
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (7,477)
Adjustments:	
Depreciation	18,256
Changes in assets and liabilities:	
(Increase) in accounts receivable	(2,234)
(Increase) in intergovernmental receivable	(11,210)
Increase in accounts payable	452
Increase in intergovernmental payable	40,443
Decrease in deferred outflows, pensions	67
(Decrease) in net pension liability.	(29,931)
Increase in deferred inflows, pensions.	26,768
Net cash provided by operating activities	$ 35,134

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

The School is a legally separate, start-up community school, served by a Board of Directors. The seven person Board of Directors, appointed by the Mahoning County Educational Service Center (ESC), consists of three persons employed in administrator positions with the Mahoning County ESC, one person employed in an administrator position with the Mahoning County Career and Technical Center (MCCTC), one person who is neither an officer nor employee of the Mahoning County ESC or MCCTC who shall be a public educator or other public office, one person who is appointed to represent the interests of the parents and students of the School and the School’s Treasurer. The School treasurer is a non-voting ex-officio of the Board of Directors.

The Mahoning County ESC sponsored the School during fiscal year 2016.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 9). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 148 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

B. Measurement Focus and Basis of Accounting

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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, see Note 12 for deferred outflows of resources related to the School's net pension liability.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, see Note 12 for deferred inflows of resources related to the School's net pension liability.

D. Budgetary Process

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

E. Cash and Cash Equivalents

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School maintains a capitalization threshold of $1,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over ten years.

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

G. Net Position

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

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

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. The Ohio Department of Education conducts reviews of schools' enrollment data and full-time equivalency (FTE) calculations. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the School is owed $15,898 by the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

Other 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 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.

I. Estimates

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

J. Tax Exemption Status

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

K. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2016, the School has implemented GASB Statement No. 72, *"Fair Value Measurement and Application"*, GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, and GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2016, the carrying amount of all School deposits was $671,669. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, $250,000 of the School's bank balance of $685,016 was covered by the Federal Deposit Insurance Corporation (FDIC), while $421,669 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirement of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, consist of intergovernmental grants receivable, amounts due from other governments and accounts receivable. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The receivables of $71,238 consists of the following:

Intergovernmental receivables:		
IDEA Part B	$	12,477
Title I		21,140
Improving Teacher Quality		19,489
Ohio Department of Education Foundation adjusment		15,898
Accounts receivables		2,234
Total	$	71,238

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Furniture and equipment	$ 341,125	$ -	$ -	$ 341,125
Less: accumulated depreciation	(316,339)	(18,256)	-	(334,595)
Capital assets, net	$ 24,786	$ (18,256)	$ -	$ 6,530

NOTE 7 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2016, professional liability is provided through the Mahoning County Educational Service Center's Wells Fargo Insurance Services USA, Inc. insurance plan which has a $500,000 limit for business income, a $1,000,000 limit for flood and earthquake, a $3,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2016, purchased service expenses were as follows:

Professional and technical services	$	916,531
Property services		8,483
Travel expenses		4,419
Communications		16,693
Utilities		4,248
Total	$	950,374

NOTE 9 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2015 and ending June 30, 2016, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS $5,818 for services during fiscal year 2016.

B. Mahoning County ESC

The School has a service contract with Mahoning County ESC. This contract outlines the services that are provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2015 through June 30, 2016 were as follows:

Instructional	$	524,827
Student and staff support		195,411
Administrative		98,710
Fiscal		160,550
Total	$	979,498

NOTE 10 - CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2016, if applicable, cannot be determined at this time.

B. Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contribution to STRS was $0 for fiscal year 2016.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS
Proportionate share of the net pension liability	$ 160
Proportion of the net pension liability	0.00000058%
Pension expense	$ (3,096)

At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred outflows of resources	
Differences between expected and actual experience	$ 223
Total deferred outflows of resources	$ 223
Deferred inflows of resources	
Net difference between projected and actual earnings on pension plan investments	$ 4,167
Changes in proportionate share	28,168
Total deferred inflows of resources	$ 32,335

$0 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	STRS
2017	$ (8,357)
2018	(8,357)
2019	(8,358)
2020	(7,040)
Total	$ (32,112)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$ 223	$ 160	$ 108

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $117, respectively. The full amount has been contributed for fiscal year 2014.

REQUIRED SUPPLEMENTARY INFORMATION

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2015	2014	2013
School's proportion of the net pension liability	0.00000058%	0.00012371%	0.00012371%
School's proportionate share of the net pension liability	$ 160	$ 30,091	$ 35,844
School's covered-employee payroll	$ -	$ 12,646	$ 83,892
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	237.95%	42.73%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2016	2015	2014	2013
Contractually required contribution	$ -	$ -	$ 1,644	$ 10,906
Contributions in relation to the contractually required contribution	-	-	(1,644)	(10,906)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ -	$ -	$ 12,646	$ 83,892
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
$ 11,929	$ 16,547	$ 9,293	$ 16,881	$ 29,228	$ 16,915
(11,929)	(16,547)	(9,293)	(16,881)	(29,228)	(16,915)
$ -	$ -	$ -	$ -	$ -	$ -
$ 91,762	$ 127,285	$ 71,485	$ 129,854	$ 224,831	$ 130,115
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(SEE ACCOUNTANT'S COMPILATION REPORT)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mahoning Unlimited Classroom, Mahoning County, (the "School") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 22, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2017

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

FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. Code § 3314.08(H) requires, in part, "the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, was obligated to act under Chapter 119 of the Revised Code to adopt rules governing the payments to community schools under this section including initial payments in a school year, adjustments and reductions made in subsequent periodic payments to community schools and corresponding deductions from school district accounts as provided under division (C) of this section."

Ohio Rev. Code § 3314.08(H)(2) provides in part, "A student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school."

Ohio Rev. Code § 3314.08(H)(3) includes the following: "The department shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year."

Ohio Rev. Code § 3314.03(A)(11)(a) states, in part, "The school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year." **Ohio Rev. Code § 3314.27** states, in relevant part, that "….each internet or computer-based community school shall keep an accurate record of each individual student's participation in learning opportunities each day." Further, **Ohio Revised Code § 3314.03(A)(23)** states, again in relevant part, that each contract entered into between a sponsor and the governing authority of a community school shall specify "[a] description of the learning opportunities that will be offered to students including both classroom-based and non-classroom-based learning opportunities that is in compliance with criteria for student participation established by the department under division (H)(2) of section 3314.08 of the Revised Code."

Ohio Rev. Code § 3317.031 states, in part, districts must maintain a "membership record" that includes certain information regarding every student enrolled, including withdrawal dates and days absent. Districts are required to maintain each such record "for at least five years." Further, districts must maintain documentation to support any withdrawal code reported for a student. Information regarding the preferred documentation that districts should maintain in student files for the different withdrawal codes varies.

Furthermore, the department of education makes the Student Cross Reference (SCR) Report available to all schools to track enrollment of students on a statewide basis. Using SCR, schools have the opportunity to review student data, including student attributes and potential overlaps, submitted by it and other schools in the State. Schools have the ability to access the SCR system via their SAFE account and the Ohio District Data Exchange (ODDEX) role. Student files are to include, but not limited to, birth certificates and proof of residency documentation.

Authorized by the State Board of Education under the Alternative Pathways for high school students, Credit Flexibility permits students to meet core coursework requirements in four ways. Required documentation includes a completed individualized educational plan according to ODE. Goal-setting, specification and completion of activities, and review by a licensed teacher, are in place.

Testing revealed the following:

- The School calculated full-time equivalency using the enrollment date (either the first day of school or date on the paperwork when a student enrolls after the school-year has commenced) instead of the first log-in date for eight of the 10 students tested. As a result, variances were identified when recalculating FTE for each of the 10 students;
- While ODE would accept manual tracking of hours spent on learning opportunities as a substitute for the time spent on the computer, the School did not have a manual tracking process in place to track duration during the audit period;
- Four of the 10 students tested were determined to be truant but were not identified as such by the School. Of the remaining six, four of them took State required tests and were given credit as attending, however, the only evidence provided of this was a communication log in an excel spreadsheet as no sign-sign sheets were completed verifying attendance;
- Teachers are estimating time spent outside the computer for students who participate in learning activities as opposed to the students;
- The School listed 995.5 hours of learning opportunity provided during the audit period, however, the School's policy states six hours of learning opportunities are to be provide each school day. Over 178 days, this recalculates 890 hours of learning opportunities which is below the 920 minimum hour requirement. The School has updated the Student Handbook for the subsequent school year to include five and a half hours of instruction daily to assure compliance with the Ohio Revised Code;
- The EMIS Coordinator is currently reviewing the ODDEX system on a daily basis for accuracy, however, for the period under audit no evidence was provided the EMIS Coordinator was reviewing this report through screenshots, initials, signatures or notes;
- One of 10 student files tested did not include proof of residency while an additional three files did not include a birth certificate;
- Of the seven students selected for withdrawal testing, three did not have a completed withdrawal form. The School did provide other documentation, however, the date of the documentation was not consistent with the withdrawal dates in EMIS.;
- Credit flexibility is offered and a review of students who participate in the program revealed only report cards were maintained. The School did not provide information such as proof of sign-off by a teacher, or an individualized educational plan;

- Attachment 6.3 of the contract between the School and its sponsor does not specify how the School intends to comply with documenting the "criteria for student participation" pursuant to requirements established by the Ohio Department of Education, and, therefore, how the Sponsor effectively may monitor such compliance; and
- The School's policies for identifying and tracking all students for whom the community school is responsible and determined the policies do not include the required information.

These situations led to the School reporting a higher FTE within EMIS for certain students and receiving more funding than entitled. The School's inability to provide documentation to support the FTE requirements for durational engagement for each student in EMIS could result in a potential liability owed to ODE for overfunding.

A referral will be made to the Ohio Department of Education.

While the Ohio Rev. Code does not explicitly require the Sponsor contract for an internet or computer-based community school (ESchool) to document how an Eschool will document participation of learning opportunities, a contract with such language would provide guidance to an Eschool to comply with the Ohio Revised Code and rules set by the ODE. In addition, the Sponsor could suggest monthly FTE support and EMIS data be submitted for review to allow the Sponsor to monitor compliance more effectively. The School should review the statutory requirements to determine what documentation is needed to support the FTE data reported for each student. Furthermore, the School should consider using ODE's most recent FTE manual as further guidance to determine what information ODE considers to be needed to support FTE. Once the School has an understanding of what is required to support FTE, the School should develop policies and procedures to capture the duration of time spent by students on computer, as well as time spent on non-computer learning opportunities.

Officials' Response

The following are corrective action statements for "Findings related to the financial statements required to report in accordance with GAGAS".

1. Corrective action has been taken to change the recorded enrollment date to the first student login date. The 2016-17 records now reflect this recording change.

2. A verifiable manual for tracking of non-computer, non-classroom learning opportunities is being created and will be implemented in 2017-18. Currently teachers are manually recording a student's opportunities by monitoring all student assignments requiring non-computer, non-classroom learning opportunities.

3. Corrective action has been taken as a matter of procedure requiring all students who physically attend the lab to sign in. All students testing must also sign in.

4. It was discovered that students were giving questionable times consistent to the work turned in. The corrective action taken is that the teacher can adjust the time plus or minus based on the work turned in and a conference with the student.

5. The school's policy specifies 178 days of 6 hrs. of instruction will be provided totaling 1,068 hours per school year. This is well above the 920 hrs. per school year requirement. The corrective action for this item will be reflected in EMIS to show when a student obtains 6 hrs. or some portion of 6 hrs. of instruction during a 24 hr. period as well as a record toward obtaining the 920 hr. requirement over a period of 178 days. When necessary, EMIS adjustments will be made at the end of each grading period. Since EMIS is limited to weekday data collection, recorded weekend online hours will be reflected in the quarterly total hour adjustment.
6. Presently the EMIS Coordinator has daily access to EMIS data. The corrective action taken will be an increase in communication between the school official and EMIS coordinator to review weekly accuracy and corrective actions when necessary.

7. Corrective action has been taken to change enrollment procedures not allowing a student to begin until all required documents are on file.

8. Corrective action has been taken to have the withdrawal date in EMIS reflect the withdrawal form or records request from another district.

9. The corrective action will include an individual educational plan for every student when enrolled. The guidance Counselor will set up the plan with the student and parent/guardian at a registration conference. This can be adjusted as needed by student, parent/guidance, and counselor. All data is kept on MUC Student Curriculum Plan document. If special services are required the Special Ed department must sign off on this.

10. This being addressed as of 7/1/2017. MUC will be under a new sponsor which is currently being rectified.

11. This is being addressed as of 7/1/2017. MUC will be under a new sponsor which is currently being rectified.

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MAHONING UNLIMITED CLASSROOM

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 11, 2017