

**INTERACTIVE MEDIA AND  
CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018**

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



# OHIO AUDITOR OF STATE KEITH FABER



Board of Education  
Interactive Media and Construction, Inc.  
45 Bowman Street  
Mansfield, Ohio 44903

We have reviewed the *Independent Auditor's Report* of the Interactive Media and Construction, Inc., Richland County, prepared by James G. Zupka, CPA, 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 Interactive Media and Construction, Inc. are 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 22, 2019

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**INTERACTIVE MEDIA AND CONSTRUCTION, INC.**  
**RICHLAND COUNTY, OHIO**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Interactive Media and Construction, Inc.  
Mansfield, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Interactive Media and Construction, Inc., Richland 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 School'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 School'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 Interactive Media and Construction, Inc. as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the basic financial statements, during 2018, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also, as discussed in Note 10 to the financial statements, the School is requesting forgiveness of the intergovernmental payable through legal process. Our opinion is not modified with respect to these matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

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

December 18, 2018

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**INTERACTIVE MEDIA AND CONSTRUCTION, INC.**  
**RICHLAND COUNTY, OHIO**

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

The management's discussion and analysis of the Interactive Media and Construction, Inc. ("IMAC") financial performance provides an overall review of IMAC's financial activities for the fiscal year 2018. The intent of this discussion and analysis is to look at IMAC's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of IMAC's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position was a deficit of \$612,321 at June 30, 2018.
- IMAC had operating revenues of \$422,402, operating expenses of \$454,212 and non-operating revenues of \$63,750 for fiscal year 2018. Total change in net position for the fiscal year was an increase of \$31,940.

**Using these Basic Financial Statements**

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

**Reporting IMAC's 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 fiscal year 2018?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, 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 IMAC's *net position* and changes in net position. This change in net position is important because it tells the reader that, for IMAC as a whole, the *financial position* of IMAC 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 11 and 12 of this report.

The statement of cash flows provides information about how IMAC finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 13 of this report.

***Notes to the Basic Financial Statements***

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 14 - 39 of this report.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

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

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning IMAC's net pension liability. The required supplementary information can be found on pages 40- 49 of this report.

The table below provides a summary of IMAC's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.

	<b>Net Position</b>	
	<u>2018</u>	<u>Restated 2017</u>
<b><u>Assets</u></b>		
Current assets	\$ 106,353	\$ 195,845
Non-current assets	<u>16,362</u>	<u>21,438</u>
Total assets	<u>122,715</u>	<u>217,283</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	717,884	1,001,431
OPEB	<u>8,014</u>	<u>1,085</u>
Total Deferred Outflows of Resources	<u>725,898</u>	<u>1,002,516</u>
<b><u>Liabilities</u></b>		
Current liabilities	169,321	177,911
Net pension liability	844,630	1,298,477
Net OPEB liability	<u>191,769</u>	<u>277,517</u>
Total liabilities	<u>1,205,720</u>	<u>1,753,905</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension	202,057	110,155
OPEB	<u>53,157</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>255,214</u>	<u>110,155</u>
<b><u>Net Position</u></b>		
Investment in capital assets	16,362	21,438
Unrestricted (deficit)	<u>(628,683)</u>	<u>(665,699)</u>
Total net position (deficit)	<u>\$ (612,321)</u>	<u>\$ (644,261)</u>

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

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

The net pension liability (NPL) is the largest single liability reported by IMAC 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, IMAC 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 IMAC'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 of resources 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 IMAC'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, IMAC 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.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.**  
**RICHLAND COUNTY, OHIO**

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

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 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.

As a result of implementing GASB 75, IMAC 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 (deficit) at June 30, 2017, from (\$367,829) to (\$644,261).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, IMAC's net position is a deficit of \$612,321.

The unrestricted net position is a deficit \$628,683. At year-end, capital assets represented 13.33% of total assets. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital asset are used to provide services to the students and are not available for future spending.

The table on the next page shows the changes in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

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

	<b>Change in Net Position</b>	
	<u>2018</u>	<u>Restated 2017</u>
<b><u>Operating Revenues:</u></b>		
Foundation revenue	\$ 338,378	\$ 319,934
Charges for services	82,065	317,554
Other	<u>1,959</u>	<u>2,520</u>
Total operating revenues	<u>422,402</u>	<u>640,008</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	265,960	413,949
Fringe benefits	15,812	480,724
Purchased services	128,422	194,125
Materials and supplies	28,984	26,788
Depreciation	5,076	4,172
Other	<u>9,958</u>	<u>15,219</u>
Total operating expenses	<u>454,212</u>	<u>1,134,977</u>
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	63,514	64,502
Interest revenue	<u>236</u>	<u>217</u>
Total non-operating revenues	<u>63,750</u>	<u>64,719</u>
Change in net position	31,940	(430,250)
Net position at beginning of year	<u>(644,261)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ (612,321)</u>	<u>\$ (644,261)</u>

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 expenses still include OPEB expense of \$1,085 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$37,668. Consequently, in order to compare 2018 total operating expenses to 2017, the following adjustments are needed:

Total 2018 expenses under GASB 75	\$ 454,212
Negative OPEB expense under GASB 75	37,668
2018 contractually required contributions	<u>1,852</u>
Adjusted 2018 operating expenses	493,732
Total 2017 operating expenses under GASB 45	<u>1,134,977</u>
Decrease in expenses not related to OPEB	<u>\$ (641,245)</u>

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.**  
**RICHLAND COUNTY, OHIO**

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

Overall, operating expenses decreased \$680,765 or 59.98%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. The Academy reported (\$51,246) in pension expense and (\$37,668) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years.

To assess fluctuations in expenses, the increase or decrease in pension expense should be factored into the analysis. A comparison of pension expense and total expenses, for 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
Pension expense	\$ (51,246)	\$ 341,781	\$ (393,027)
Total expenses	454,212	1,134,977	(680,765)

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation basic aid.

**Capital Assets**

At June 30, 2018, IMAC had \$16,362 invested in equipment. Overall, capital asset decreased \$5,076 as a result of IMAC having a depreciation expense of \$5,076 for fiscal year 2018. See Note 5 to the basic financial statements for additional detail on capital assets.

**Current Financial Related Activities**

IMAC is reliant upon State Foundation monies and State Grants to offer quality educational services to students.

In order to continually provide learning opportunities to IMAC's students, IMAC will apply resources to best meet the needs of its students. It is the intent of IMAC to apply for other State funds that are made available to finance its operations.

**Contacting IMAC's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the IMAC's finances and to show IMAC's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Jeffrey Zaye, CPA, Treasurer at 250 W. Wilson Bridge Rd. Suite 300, Worthington, Ohio 43085 or email [jzaye@whalencpa.com](mailto:jzaye@whalencpa.com).



BASIC  
FINANCIAL STATEMENTS

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2018

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 80,074
Receivables:	
Intergovernmental. . . . .	19,971
Prepayments . . . . .	<u>6,308</u>
Total current assets . . . . .	<u>106,353</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>16,362</u>
Total non-current assets. . . . .	<u>16,362</u>
Total assets . . . . .	<u>122,715</u>
 <b>Deferred outflows of resources:</b>	
Pension . . . . .	717,884
OPEB . . . . .	<u>8,014</u>
Total deferred outflows of resources. . . . .	<u>725,898</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	10,495
Accrued wages and benefits. . . . .	8,438
Pension and postemployment benefits payable . . . . .	2,612
Intergovernmental payable . . . . .	<u>147,776</u>
Total current liabilities. . . . .	<u>169,321</u>
Non-current liabilities:	
Net pension liability . . . . .	844,630
Net OPEB liability . . . . .	<u>191,769</u>
Total non-current liabilities. . . . .	<u>1,036,399</u>
Total liabilities . . . . .	<u>1,205,720</u>
 <b>Deferred inflows of resources:</b>	
Pension . . . . .	202,057
OPEB . . . . .	<u>53,157</u>
Total deferred inflows of resources . . . . .	<u>255,214</u>
 <b>Net position:</b>	
Investment in capital assets . . . . .	16,362
Unrestricted (deficit). . . . .	<u>(628,683)</u>
Total net position (deficit) . . . . .	<u>\$ (612,321)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

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

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 338,378
Charges for services. . . . .	82,065
Other . . . . .	1,959
Total operating revenues . . . . .	<u>422,402</u>
<b>Operating expenses:</b>	
Salaries and wages. . . . .	265,960
Fringe benefits. . . . .	15,812
Purchased services. . . . .	128,422
Materials and supplies . . . . .	28,984
Other. . . . .	9,958
Depreciation . . . . .	5,076
Total operating expenses. . . . .	<u>454,212</u>
Operating loss . . . . .	<u>(31,810)</u>
<b>Non-operating revenues:</b>	
Federal and State grants . . . . .	63,514
Interest revenue . . . . .	236
Total non-operating revenues . . . . .	<u>63,750</u>
Change in net position . . . . .	31,940
<b>Net position (deficit) at beginning of year (restated). . .</b>	<u>(644,261)</u>
<b>Net position (deficit) at end of year. . . . .</b>	<u><u>\$ (612,321)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

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

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 331,340
Cash received from charges for services. . . . .	82,065
Cash received from other operations . . . . .	1,959
Cash payments for salaries and wages. . . . .	(283,909)
Cash payments for fringe benefits . . . . .	(116,474)
Cash payments for contractual services . . . . .	(106,519)
Cash payments for materials and supplies . . . . .	(28,759)
Cash payments for other expenses . . . . .	(12,579)
	(132,876)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State grants. . . . .	63,865
	63,865
Net cash provided by noncapital financing activities. . . . .	63,865
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	236
	236
Net cash provided by investing activities . . . . .	236
Net decrease in cash and cash equivalents . . . . .	(68,775)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>148,849</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 80,074</b>
	80,074
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (31,810)
Adjustments:	
Depreciation . . . . .	5,076
Changes in assets, deferred outflows/inflows of resources and liabilities:	
Decrease in deferred outflows - pension. . . . .	283,547
(Increase) in deferred outflows - OPEB. . . . .	(6,929)
Decrease in intergovernmental receivable. . . . .	6,254
Decrease in prepayments. . . . .	14,112
Increase in deferred inflows - pension. . . . .	91,902
Increase in deferred inflows - OPEB. . . . .	53,157
Increase in accounts payable. . . . .	10,062
(Decrease) in accrued wages and benefits. . . . .	(17,692)
Increase in intergovernmental payable. . . . .	1,171
(Decrease) in pension and postemployment benefits payable. . . . .	(2,131)
(Decrease) in net pension liability. . . . .	(453,847)
(Decrease) in net OPEB liability. . . . .	(85,748)
	(85,748)
Net cash used in operating activities . . . . .	\$ (132,876)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - DESCRIPTION OF THE IMAC**

The Interactive Media and Construction, Inc. (“IMAC”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students who have met some graduation requirements, but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. IMAC is nonsectarian in its programs, admission policies, employment practices and all other operations. IMAC may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of IMAC.

IMAC provides educational opportunities for students to obtain their high school diploma through college preparatory curriculum. IMAC serves the population by providing a challenging curriculum, community/parental support, motivation through career skills and pay for work. Enrollment is open to students within the attendance area of the Mansfield City School District and all bordering school districts. IMAC gives first choice to educationally disadvantaged, special education and economically at risk youth.

IMAC entered into a new sponsorship agreement for the period June 15, 2014 through June 30, 2017 with the Ohio Department of Education. This agreement was renewed through June 30, 2020.

The Sponsor shall evaluate the performance of IMAC according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of IMAC, any assets remaining shall be conveyed to the Sponsor.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of IMAC 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. IMAC's significant accounting policies are described below.

**A. Basis of Presentation**

IMAC’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.

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets plus deferred outflows of resources and all liabilities plus deferred inflows of resources are included on the statement of net position. The statements of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how IMAC’s finances and meets the cash flow needs of its enterprise activities.

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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. IMAC's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place.

Nonexchange transactions, in which IMAC receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which IMAC must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**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 Section 5705, unless specifically provided in their contract with their Sponsor. The contract between IMAC and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**E. Cash**

Cash held by IMAC is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2018, investments were limited to a repurchase agreement. Investments were reported at fair value which is based on quoted market prices.

**F. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. IMAC maintains a capitalization threshold of \$1,500. IMAC 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 five to ten years.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.**  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**G. Prepayments**

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**H. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by IMAC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For IMAC, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of IMAC. All revenues and expenses not meeting this definition are reported as non-operating.

**J. Intergovernmental Revenue**

IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Title IV-A Student Support and Academic Enrichment and the Title II-A Supporting Effective Instruction grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2018 was \$63,514.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Pensions/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. Estimates**

The preparation of basic 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.

**M. Fair Market Value**

IMAC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

**Change in Accounting Principles**

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the IMAC's postemployment benefit plan disclosures, as presented in Note 12 to the basic financial statements, and added required supplementary information which is presented on pages 40- 49.

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

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



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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

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

A net position restatement is required in order to implement GASB Statement No 75. The net position at July 1, 2017 has been restated as follows:

Net position as previously reported	\$ (367,829)
Deferred outflows - payments subsequent to measurement date	1,085
Net OPEB liability	<u>(277,517)</u>
Restated net position at July 1, 2017	<u>\$ (644,261)</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Cash on Hand**

IMAC had \$500 in undeposited cash on hand which is included on the financial statements of IMAC as part of “cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of the IMAC’s deposits was (\$10,479), exclusive of the \$90,053 in repurchase agreements included in “investments” below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of IMAC’s bank accounts. The negative carrying amount of deposits is due to a timing difference in deposits.

**C. Investments**

As of June 30, 2018, IMAC had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
Fair Value:		
Repurchase agreement	<u>\$ 90,053</u>	<u>\$ 90,053</u>

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

IMAC's investments in repurchase agreements are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, IMAC's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The federal agency securities underlying the repurchase agreement were rated AA+ by Standard and Poor's and Aaa by Moody's. IMAC has no investment policy dealing with credit risk beyond the requirements of State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of IMAC's \$90,053 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of IMAC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. IMAC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* IMAC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by IMAC at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
Repurchase agreement	\$ 90,053	100.00

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (10,479)
Investments	90,053
Cash on hand	<u>500</u>
Total	<u>\$ 80,074</u>
 <u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 80,074</u>

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity as of June 30, 2018, was as follows:

	Balance <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/18</u>
Capital assets, being depreciated:				
Equipment	\$ 188,999	\$ -	\$ -	\$ 188,999
Less: accumulated depreciation	<u>(167,561)</u>	<u>(5,076)</u>	<u>-</u>	<u>(172,637)</u>
Capital assets	<u>\$ 21,438</u>	<u>\$ (5,076)</u>	<u>\$ -</u>	<u>\$ 16,362</u>

**NOTE 6 - RECEIVABLES**

IMAC had the following intergovernmental receivables at June 30, 2018:

SERS	\$ 7,605
Ohio Bureau of Worker's Compensation	2,308
Ohio Department of Education	6,400
Title I	2,927
Title II	<u>731</u>
Total	<u>\$ 19,971</u>

The intergovernmental receivables are expected to be collected in the subsequent year.

**NOTE 7 - LONG-TERM OBLIGATIONS**

The long-term obligations at June 30, 2017 were restated as described in Note 3. Changes in IMAC's long-term obligations during fiscal year 2018 were as follows.

	Restated Balance <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/18</u>	Due Within <u>One Year</u>
Net pension liability	\$ 1,298,477	\$ -	\$ (453,847)	\$ 844,630	\$ -
Net OPEB liability	<u>277,517</u>	<u>-</u>	<u>(85,748)</u>	<u>191,769</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 1,575,994</u>	<u>\$ -</u>	<u>\$ (539,595)</u>	<u>\$ 1,036,399</u>	<u>\$ -</u>

Net Pension Liability: See Note 11 for details.

Net OPEB Liability: See Note 12 for details

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - PURCHASED SERVICES**

For the period ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services	\$ 60,005
Property rental	26,410
Travel and meetings	1,574
Communications	735
Contracted Craft or Trade	19,115
Other	<u>20,583</u>
Total	<u>\$ 128,422</u>

**NOTE 9 - RISK MANAGEMENT**

IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2018, IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. IMAC provides \$50,000 in bond coverage for The Cincinnati Insurance Company.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

**NOTE 10 - CONTINGENCIES**

**A. Grants**

IMAC 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 IMAC at June 30, 2018, if applicable, cannot be determined at this time.

**B. Litigation**

IMAC is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements, except for the intergovernmental payable in the amount of \$145,588. This is owed to Mansfield City School District for providing instructional services in prior years. As of the date of this report, IMAC is requesting forgiveness of this amount through the legal process.

**C. State Foundation Funding**

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 10 – CONTINGENCIES – (Continued)**

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on IMAC 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, IMAC.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. 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 IMAC’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 IMAC’s obligation for this liability to annually required payments. The IMAC cannot control benefit terms or the manner in which pensions are financed; however, IMAC 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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. Plan Description – School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the IMAC 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 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

IMAC's contractually required contribution to SERS was \$11,370 for fiscal year 2018.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Plan Description – State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. IMAC 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.

IMAC's contractually required contribution to STRS was \$15,782 for fiscal year 2018. Of this amount, \$1,181 is reported as pension and postemployment benefits payable.

**D. Pension Liability, Pension Expense, and Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pension**

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.00455650%	0.00288287%	
Proportion of the net pension liability current measurement date	<u>0.00325880%</u>	<u>0.00273592%</u>	
Change in proportionate share	<u>-0.00129770%</u>	<u>-0.00014695%</u>	
Proportionate share of the net pension liability	\$ 194,706	\$ 649,924	\$ 844,630
Pension expense	\$ 41,826	\$ (93,072)	\$ (51,246)



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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 8,382	\$ 25,096	\$ 33,478
Changes of assumptions	10,068	142,146	152,214
Difference between IMAC contributions and proportionate share of contributions/ change in proportionate share	117,677	387,363	505,040
IMAC contributions subsequent to the measurement date	<u>11,370</u>	<u>15,782</u>	<u>27,152</u>
Total deferred outflows of resources	<u>\$ 147,497</u>	<u>\$ 570,387</u>	<u>\$ 717,884</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 5,238	\$ 5,238
Net difference between projected and actual earnings on pension plan investments	924	21,446	22,370
Difference between IMAC contributions and proportionate share of contributions/ change in proportionate share	<u>58,785</u>	<u>115,664</u>	<u>174,449</u>
Total deferred inflows of resources	<u>\$ 59,709</u>	<u>\$ 142,348</u>	<u>\$ 202,057</u>

\$27,152 reported as deferred outflows of resources related to pension resulting from IMAC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 56,648	\$ 187,131	\$ 243,779
2020	37,567	216,307	253,874
2021	(13,260)	5,721	(7,539)
2022	<u>(4,537)</u>	<u>3,098</u>	<u>(1,439)</u>
Total	<u>\$ 76,418</u>	<u>\$ 412,257</u>	<u>\$ 488,675</u>

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**E. Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 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 investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

The mortality rates were based on 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 was 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.

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

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
IMAC's proportionate share of the net pension liability	\$ 270,201	\$ 194,706	\$ 131,463

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**F. Actuarial Assumptions - STRS**

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

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

STRS 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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**NOTE 11 - DEFINED BENEFIT PENSION 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>	

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

*Discount Rate* - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
IMAC's proportionate share of the net pension liability	\$ 931,643	\$ 649,924	\$ 412,617

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

**A. 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 IMAC's 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.

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

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 pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

**B. Plan Description – School Employees Retirement System (SERS)**

Health Care Plan Description - The IMAC 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

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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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, IMAC's surcharge obligation was \$1,431.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. IMAC's contractually required contribution to SERS was \$1,852 for fiscal year 2018. Of this amount, \$1,431 is reported as pension and postemployment benefits payable.

**C. 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](http://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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**D. OPEB Liability, OPEB Expense, and Deferred Inflows of Resources and Deferred Outflows 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. IMAC's proportion of the net OPEB liability was based on the IMAC'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.00432717%	0.00288287%	
Proportion of the net OPEB liability current measurement date	<u>0.00316810%</u>	<u>0.00273592%</u>	
Change in proportionate share	<u>-0.00115907%</u>	<u>-0.00014695%</u>	
Proportionate share of the net OPEB liability	\$ 85,023	\$ 106,746	\$ 191,769
OPEB expense	\$ (3,972)	\$ (33,696)	\$ (37,668)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 6,162	\$ 6,162
IMAC contributions subsequent to the measurement date	<u>1,852</u>	<u>-</u>	<u>1,852</u>
Total deferred outflows of resources	<u>\$ 1,852</u>	<u>\$ 6,162</u>	<u>\$ 8,014</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 225	\$ 4,562	\$ 4,787
Changes of assumptions	8,069	8,599	16,668
Difference between IMAC contributions and proportionate share of contributions/ change in proportionate share	<u>24,966</u>	<u>6,736</u>	<u>31,702</u>
Total deferred inflows of resources	<u>\$ 33,260</u>	<u>\$ 19,897</u>	<u>\$ 53,157</u>



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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$1,852 reported as deferred outflows of resources related to OPEB resulting from IMAC 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (12,025)	\$ (2,670)	\$ (14,695)
2020	(12,025)	(2,670)	(14,695)
2021	(9,153)	(2,670)	(11,823)
2022	(56)	(2,668)	(2,724)
2023	(1)	(1,529)	(1,530)
Thereafter	-	(1,528)	(1,528)
Total	\$ (33,260)	\$ (13,735)	\$ (46,995)

**E. 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.

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.

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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 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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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<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 IMAC'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%) and higher (4.63%) than the current discount rate (3.63%). 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% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
IMAC's proportionate share of the net OPEB liability	\$ 102,677	\$ 85,023	\$ 71,038

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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
IMAC's proportionate share of the net OPEB liability	\$ 68,990	\$ 85,023	\$ 106,224

**F. 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:

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 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 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.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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:

<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><u>100.00 %</u></u>	

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

*Discount Rate* - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS 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.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.  
RICHLAND COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of IMAC'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.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
IMAC's proportionate share of the net OPEB liability	\$ 143,304	\$ 106,746	\$ 77,852
	1% Decrease	Current Trend Rate	1% Increase
IMAC's proportionate share of the net OPEB liability	\$ 74,162	\$ 106,746	\$ 149,629

**NOTE 13 - OPERATING LEASE - LESSEE DISCLOSURE**

IMAC entered into a five year operating lease commencing July 1, 2017 and ending June 30, 2021 with the Mansfield Urban Minority Alcoholism and Drug Abuse Outreach Program Inc. (UMADAOP) for the use of classrooms and offices. IMAC paid \$15,000 in lease payments during fiscal year 2018.

**NOTE 14 - FISCAL SERVICES**

IMAC entered into a service contract with Whalen & Company CPAs (Whalen), for the period July 1, 2017 through June 30, 2018, to provide fiscal consulting services. IMAC paid Whalen \$36,606 in service fees for fiscal year 2018.

**NOTE 15 - SPONSOR**

Since July 15, 2017, IMAC has contracted with the Ohio Department of Education (ODE) to provide sponsorship services. IMAC pays ODE 3 percent of monthly State Foundation payments. Payments under this contract for fiscal year 2018 totaled \$10,082. The Sponsor provides oversight, monitoring, treasury and technical assistance for IMAC.

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REQUIRED SUPPLEMENTARY INFORMATION



**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE IMAC'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
IMAC's proportion of the net pension liability	0.00325880%	0.00455650%	0.00040930%
IMAC's proportionate share of the net pension liability	\$ 194,706	\$ 333,494	\$ 23,354
IMAC's covered payroll	\$ 104,893	\$ 139,336	\$ 12,322
IMAC's proportionate share of the net pension liability as a percentage of its covered payroll	185.62%	239.35%	189.53%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
IMAC's proportion of the net pension liability	0.00273592%	0.00288287%	0.00338732%
IMAC's proportionate share of the net pension liability	\$ 649,924	\$ 964,983	\$ 936,155
IMAC's covered payroll	\$ 316,050	\$ 341,843	\$ 353,407
IMAC's proportionate share of the net pension liability as a percentage of its covered payroll	205.64%	282.29%	264.89%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF IMAC PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 11,370	\$ 14,685	\$ 19,507
Contributions in relation to the contractually required contribution	(11,370)	(14,685)	(19,507)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
IMAC's covered payroll	\$ 84,222	\$ 104,893	\$ 139,336
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 15,782	\$ 44,247	\$ 47,858
Contributions in relation to the contractually required contribution	(15,782)	(44,247)	(47,858)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
IMAC's covered payroll	\$ 112,729	\$ 316,050	\$ 341,843
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE IMAC'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
IMAC's proportion of the net OPEB liability	0.00316810%	0.00432717%
IMAC's proportionate share of the net OPEB liability	\$ 85,023	\$ 123,340
IMAC's covered payroll	\$ 104,893	\$ 139,336
IMAC's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.06%	88.52%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
IMAC's proportion of the net OPEB liability	0.00273592%	0.00288287%
IMAC's proportionate share of the net OPEB liability	\$ 106,746	\$ 154,177
IMAC's covered payroll	\$ 316,050	\$ 341,843
IMAC's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.78%	45.10%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF IMAC OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 1,852	\$ 1,085
Contributions in relation to the contractually required contribution	(1,852)	(1,085)
Contribution deficiency (excess)	\$ -	\$ -
IMAC's covered payroll	\$ 84,222	\$ 104,893
Contributions as a percentage of covered payroll	2.20%	1.03%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF IMAC OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
IMAC's covered payroll	\$ 112,729	\$ 316,050
Contributions as a percentage of covered payroll	0.00%	0.00%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)

**INTERACTIVE MEDIA AND CONSTRUCTION INC.  
RICHLAND COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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

To the Members of the Board  
Interactive Media and Construction, Inc.  
Mansfield, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Interactive Media and Construction, Inc., Richland 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 18, 2018, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and we also noted the School is requesting forgiveness of the intergovernmental payable through legal process.

***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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 18, 2018

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.**  
**RICHLAND COUNTY, OHIO**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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The prior audit report as of June 30, 2017, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



## INTERACTIVE MEDIA AND CONSTRUCTION

### RICHLAND 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 7, 2019