OHIO AUDITOR OF STATE
KEITH FABER

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY
JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Mahoning Unlimited Classroom
Mahoning County
7320 N Palmyra Road
Canfield, Ohio 44406

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Mahoning Unlimited Classroom, Mahoning County, Ohio (the School), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2020 and 2019, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the June 30, 2020 and 2019 financial statements, the School has suffered losses from operations and has a deficit net position. Note 12 describe Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainly. In addition, as discussed in Notes 5 and 13 to the June 30, 2020 and 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2021, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

July 13, 2021

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position was a deficit of $552,523 at June 30, 2020.

- The School had operating revenues of $557,915 and operating expenses of $800,463 for fiscal year 2020. The School also received $136,847 in Federal and State grants and $9 in interest income during fiscal year 2020. The total change in net position for the fiscal year was a decrease of $105,692.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2020?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations.

The table below provides a summary of the School's net position for fiscal years 2020 and 2019.

Net Position

	2020	2019
Assets		
Current assets	$ 34,931	$ 20,719
Capital assets, net	-	86
Total assets	34,931	20,805
Liabilities		
Current liabilities	587,421	460,528
Total liabilities	587,421	460,528
Deferred inflows of resources	33	7,108
Net position		
Investment in capital assets	-	86
Restricted	6,617	20
Unrestricted	(559,140)	(446,937)
Total net position	$ (552,523)	$ (446,831)

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the School's net position totaled a deficit of $552,523.

A portion of the School's net position, $6,617, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of $559,140.

The table below shows the changes in net position for fiscal years 2020 and 2019.

Change in Net Position

	2020	2019
Operating revenues:		
State Foundation	$ 556,164	$ 782,430
Other	1,751	521
Total operating revenues	557,915	782,951
Operating expenses:		
Personal services	(7,075)	(7,075)
Purchased services	670,049	982,459
Materials and supplies	4,595	27,264
Other	132,808	152,271
Depreciation	86	171
Total operating expenses	800,463	1,155,090
Non-operating revenues:		
Federal and state grants	136,847	147,862
Interest income	9	65
Total non-operating revenues	136,856	147,927
Change in net position	(105,692)	(224,212)
Net position (deficit) at beginning of year	(446,831)	(222,619)
Net position (deficit) at end of year	$ (552,523)	$ (446,831)

Foundation revenue is the primary source of revenue for the School and accounted for 80.05% of total revenues in 2020, compared to 84.05% in 2019. The School continues to supplement its State foundation revenues by applying for Federal and State grants whenever possible.

The School's most significant expenses are for purchased services. These expenses are primarily payments to the Mahoning County Educational Service Center (ESC). The ESC provides planning, instructional, administrative and technical services to the School. In addition, the ESC provides personnel services to the School under a purchased services basis. Payments to the ESC in fiscal year 2020 totaled $651,532, most of which were for instructional services and student and staff support.

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

Capital Assets

At June 30, 2020, the School's capital assets were fully depreciated. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

Contacting the School's Financial Management

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

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:		
Current assets:		
Equity in pooled cash		
and cash equivalents	$	34,931
Total assets.		34,931
Liabilities:		
Current liabilities:		
Accounts payable.		1,356
Intergovernmental payable		586,065
Total liabilities		587,421
Deferred inflows of resources:		
Pension		33
Total deferred inflows of resources		33
Net position:		
Restricted for:		
State funded programs.		3,925
Federally funded programs		20
Other purposes.		2,672
Unrestricted (deficit).		(559,140)
Total net position.	$	(552,523)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating revenues:	
State Foundation	$ 556,164
Other opertating revenues.	1,751
Total operating revenues	557,915
Operating expenses:	
Personal services	(7,075)
Purchased services.	670,049
Materials and supplies	4,595
Other operating expenses.	132,808
Depreciation	86
Total operating expenses.	800,463
Operating loss	(242,548)
Non-operating revenues:	
Federal and State grants	136,847
Interest income	9
Total non-operating revenues	136,856
Change in net position	(105,692)
Net position (deficit) at beginning of year . .	(446,831)
Net position (deficit) at end of year	$ (552,523)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Cash received from State Foundation	$ 490,843
Cash received from other receipts.	1,751
Cash payments for purchased services	(478,888)
Cash payments for materials and supplies	(3,700)
Cash payments for other expenses	(132,650)
Net cash used in operating activities	(122,644)
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	138,292
Net cash provided by noncapital financing activities.	138,292
Cash flows from investing activities:	
Interest received	9
Net cash provided by investing activities	9
Net increase in cash and cash equivalents	15,657
Cash and cash equivalents at beginning of year	19,274
Cash and cash equivalents at end of year	$ 34,931
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (242,548)
Adjustments:	
Depreciation	86
Changes in assets and liabilities:	
(Decrease) in accounts payable	(10,108)
Increase in intergovernmental payable	131,291
(Decrease) in deferred inflows, pensions.	(7,075)
Net cash used in operating activities	$ (128,354)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

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

Jefferson County ESC became the sponsor of the School on July 31, 2017 and its sponsorship ended on December 15, 2019. The Ohio Department of Education, Office of School Sponsorship became the sponsor of the School on December 14, 2019.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 9). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 120 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

B. Measurement Focus and Basis of Accounting

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

C. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, see Note 11 for deferred inflows of resources related to the School's net pension liability.

D. Budgetary Process

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

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

E. Cash and Cash Equivalents

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

F. Capital Assets and Depreciation

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

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over ten years. The School did not report any capital assets at June 30, 2020.

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

G. Net Position

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

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

H. Estimates

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

I. Tax Exemption Status

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

J. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2020, the School has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the School.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2020, the carrying amount of all School deposits was $34,931. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, all of the School's bank balance of $40,134 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. In addition, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Furniture and equipment	$ 341,125	$ -	$ -	$ 341,125
Less: accumulated depreciation	(341,039)	(86)	-	(341,125)
Capital assets, net	$ 86	$ (86)	$ -	$ -

NOTE 7 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2020, professional liability is provided through the Mahoning County Educational Service Center's Markel Insurance Company's insurance plan which has a $500,000 limit for business income, a $1,000,000 limit for flood and earthquake, a commercial general liability of $3,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2020, purchased service expenses were as follows:

	Amount
Professional and technical services	$ 620,714
Property services	4,485
Travel expenses	1,198
Communications	7,528
Utilities	1,401
Tuition	34,723
Total	$ 670,049

NOTE 9 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2019 and ending June 30, 2020, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS $7,752 for services during fiscal year 2020.

B. Mahoning County ESC

The School has a service contract with Mahoning County ESC. This contract outlines the services that are provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2019 through June 30, 2020 were as follows:

	Amount
Professional and technical services	$ 642,836
Property services	4,486
Travel expenses	743
Communications	758
Utilities	1,401
Supplies	1,068
Other	240
Total	$ 651,532

NOTE 10 - CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2020, if applicable, cannot be determined at this time.

B. Foundation Funding

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

NOTE 10 - CONTINGENCIES - (Continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform an FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2020.

As of the date of this report, additional ODE adjustments for fiscal year 2020 have been finalized and resulted in a payable to ODE.

The following table summarizes the amounts the School owes ODE for foundation adjustments at June 30, 2020:

Description	Amount
Fiscal year 2017 adjustment	$ 103,055
Fiscal year 2018 adjustment	13,594
Fiscal year 2019 adjustment	19,754
Fiscal year 2020 adjustment	42,035
Total	$ 178,438

In addition, the School's contract with their Sponsor require payment based on revenues received from the State.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

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.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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 28 years of service, or 33 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The School was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School did not have a contractually required contribution to STRS for fiscal year 2020.

Pension Expense and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to pension expense:

	STRS
Pension expense	$ (7,075)

At June 30, 2020, the School reported deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred inflows of resources	
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	$ 33

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

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

	STRS
Fiscal Year Ending June 30:	
2021	$ (33)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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% as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

NOTE 12 - MANAGEMENT PLAN

As of June 30, 2020, the School had a deficit net position of $546,813. The deficit net position was due to overfunding as a result of full-time equivalency reviews performed by the Ohio Department of Education (ODE), which resulted in $178,438 due back to ODE. The School has entered into a settlement agreement with the Ohio Department of Education. At June 30, 2020, the School owes $420,117 to the Mahoning County Educational Service Center (ESC) for services provided. The ESC's board has agreed to allow the School to make payments on this liability as funds become available in the future.

REQUIRED SUPPLEMENTARY INFORMATION

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017
School's proportion of the net pension liability	0.00000000%	0.00000000%	0.00000000%	0.00000000%
School's proportionate share of the net pension liability	$ -	$ -	$ -	$ -
School's covered payroll	$ -	$ -	$ -	$ -
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014
0.00000058%	0.00012371%	0.00012371%
$ 160	$ 30,091	$ 35,844
$ -	$ 12,646	$ 83,892
0.00%	237.95%	42.73%
72.10%	74.70%	69.30%

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	**2019**	**2018**	**2017**
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ -	$ -	$ 1,644	$ 10,906	$ 11,929	$ 16,547
-	-	(1,644)	(10,906)	(11,929)	(16,547)
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ 12,646	$ 83,892	$ 91,762	$ 127,285
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

PENSION

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. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

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. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position was a deficit of $446,831 at June 30, 2019.

- The School had operating revenues of $782,951 and operating expenses of $1,155,090 for fiscal year 2019. The School also received $147,862 in Federal and State grants and $65 in interest income during fiscal year 2019. The total change in net position for the fiscal year was a decrease of $224,212.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2019?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations.

The table below provides a summary of the School's net position for fiscal years 2019 and 2018.

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Net Position

	2019	2018
Assets		
Current assets	$ 20,719	$ 139,469
Capital assets, net	86	257
Total assets	20,805	139,726
Liabilities		
Current liabilities	460,528	348,162
Total liabilities	460,528	348,162
Deferred inflows of resources	7,108	14,183
Net position		
Investment in capital assets	86	257
Restricted	20	13,324
Unrestricted	(446,937)	(236,200)
Total net position	$ (446,831)	$ (222,619)

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

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

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

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

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

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

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

As a result of implementing GASB 68, the School is reporting a deferred inflow of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School's net position totaled a deficit of $446,831.

At year-end, capital assets represented 0.41% of total assets, compared to 0.18% in 2018. Capital assets consist of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending, therefore, the School's investment in capital assets is reported as a separate component of net position.

A portion of the School's net position, $20, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of $446,937.

The table below shows the changes in net position for fiscal years 2019 and 2018.

Change in Net Position

	2019	2018
Operating revenues:		
State Foundation	$ 782,430	$ 569,444
Other	521	239
Total operating revenues	782,951	569,683
Operating expenses:		
Personal services	(7,075)	(7,075)
Purchased services	982,459	1,022,425
Materials and supplies	27,264	16,725
Other	152,271	43,787
Depreciation	171	767
Total operating expenses	1,155,090	1,076,629
Non-operating revenues:		
Federal and state grants	147,862	129,810
Interest income	65	486
Total non-operating revenues	147,927	130,296
Change in net position	(224,212)	(376,650)
Net position (deficit) at beginning of year	(222,619)	154,031
Net position (deficit) at end of year	$ (446,831)	$ (222,619)

In fiscal year 2019 the School had an increase in enrollment which caused an increase State Foundation revenue. This is the primary source of revenue for the School and accounted for 84.05% of total revenues in 2019, compared to 81.35% in 2018. The School continues to supplement its State foundation revenues by applying for Federal and State grants whenever possible.

The School's most significant expenses are for purchased services. These expenses are primarily payments to the Mahoning County Educational Service Center (ESC). The ESC provides planning, instructional, administrative and technical services to the School. In addition, the ESC provides personnel services to the School under a purchased services basis. Payments to the ESC in fiscal year 2019 totaled $900,853, most of which were for instructional services and student and staff support.

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

Capital Assets

At June 30, 2019, the School had $86 invested in furniture and equipment, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

Contacting the School's Financial Management

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

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

Assets:	
Current assets:	
Equity in pooled cash	
and cash equivalents	$ 19,274
Receivables:	
Intergovernmental.	1,445
Total current assets	20,719
Non-current assets:	
Depreciable capital assets, net	86
Total non-current assets.	86
Total assets.	20,805
Liabilities:	
Current liabilities:	
Accounts payable.	11,464
Intergovernmental payable	449,064
Total liabilities	460,528
Deferred inflows of resources:	
Pension	7,108
Total deferred inflows of resources	7,108
Net position:	
Investment in capital assets.	86
Restricted for:	
Federally funded programs	20
Unrestricted (deficit).	(446,937)
Total net position.	$ (446,831)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues:	
State Foundation	$ 782,430
Other opertating revenues.	521
Total operating revenues	782,951
Operating expenses:	
Personal services	(7,075)
Purchased services.	982,459
Materials and supplies	27,264
Other operating expenses.	152,271
Depreciation	171
Total operating expenses.	1,155,090
Operating loss	(372,139)
Non-operating revenues:	
Federal and State grants	147,862
Interest income	65
Total non-operating revenues	147,927
Change in net position	(224,212)
Net position (deficit) at beginning of year . .	(222,619)
Net position (deficit) at end of year	$ (446,831)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:		
Cash received from State Foundation	$	678,158
Cash received from other receipts.		521
Cash payments for purchased services		(766,383)
Cash payments for materials and supplies		(26,784)
Cash payments for other expenses		(152,189)
Net cash used in operating activities		(266,677)
Cash flows from noncapital financing activities:		
Cash received from Federal and State grants		194,504
Net cash provided by noncapital financing activities.		194,504
Cash flows from investing activities:		
Interest received		65
Net cash provided by investing activities		65
Net decrease in cash and cash equivalents		(72,108)
Cash and cash equivalents at beginning of year		91,382
Cash and cash equivalents at end of year	$	19,274
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(372,139)
Adjustments:		
Depreciation		171
Changes in assets and liabilities:		
Increase in accounts payable		11,444
Increase in intergovernmental payable		100,922
(Decrease) in deferred inflows, pensions.		(7,075)
Net cash used in operating activities	$	(266,677)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

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

Jefferson County ESC became the sponsor of the School on July 31, 2017.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 9). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 128 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

B. Measurement Focus and Basis of Accounting

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

C. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, see Note 11 for deferred inflows of resources related to the School's net pension liability.

D. Budgetary Process

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

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

E. Cash and Cash Equivalents

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

F. Capital Assets and Depreciation

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

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

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

G. Net Position

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

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

H. Estimates

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

I. Tax Exemption Status

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

J. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2019, the School has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the School.

NOTE 4 - DEPOSITS

At June 30, 2019, the carrying amount of all School deposits was $19,274. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, all of the School's bank balance of $39,432 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019, consist of intergovernmental grants receivable. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The receivables of $1,445 consists of the following:

Intergovernmental receivables:	
Improving Teacher Quality	$ 1,445

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Furniture and equipment	$ 341,125	$ -	$ -	$ 341,125
Less: accumulated depreciation	(340,868)	(171)	-	(341,039)
Capital assets, net	$ 257	$ (171)	$ -	$ 86

NOTE 7 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2019, professional liability is provided through the Mahoning County Educational Service Center's Wells Fargo Insurance Services USA, Inc. insurance plan which has a $500,000 limit for business income, a $1,000,000 limit for flood and earthquake, a $3,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2019, purchased service expenses were as follows:

Professional and technical services	$ 939,718
Property services	11,524
Travel expenses	828
Communications	21,172
Utilities	4,886
Tuition	4,331
Total	$ 982,459

NOTE 9 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2018 and ending June 30, 2019, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS $7,131 for services during fiscal year 2019.

B. Mahoning County ESC

The School has a service contract with Mahoning County ESC. This contract outlines the services that are provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2018 through June 30, 2019 were as follows:

Instructional	$ 527,179
Student and staff support	257,911
Administrative	71,032
Fiscal	44,731
Total	$ 900,853

NOTE 10 - CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2019, if applicable, cannot be determined at this time.

B. Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform an FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 have been finalized and resulted in a payable of $9,724 to ODE. In addition, a second adjustment resulted in an additional payable of $31,277.

On August 20, 2018 the School reached an agreement with ODE to repay the remaining fiscal year 2017 and fiscal year 2018 overpayments of $206,110 and $27,187, respectively, through June 2021.

In addition, the School's contract with their Sponsor require payment based on revenues received from the State.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 11 - DEFINED BENEFIT PENSION – (Continued)

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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.

NOTE 11 - DEFINED BENEFIT PENSION – (Continued)

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The School was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School did not have a contractually required contribution to STRS for fiscal year 2019.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the projected contributions of all participating entities.

NOTE 11 - DEFINED BENEFIT PENSION – (Continued)

Following is information related to the proportionate share and pension expense:

	STRS
Pension expense	$ (7,075)

At June 30, 2019, the School reported deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred inflows of resources	
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	$ 7,108

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

	STRS
Fiscal Year Ending June 30:	
2020	$ (7,075)
2021	(33)
Total	$ (7,108)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

NOTE 11 - DEFINED BENEFIT PENSION – (Continued)

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

NOTE 12 - MANAGEMENT PLAN

As of June 30, 2019, the School had a deficit net position of $446,831. The deficit net position was due to overfunding as a result of full-time equivalency reviews performed by the Ohio Department of Education. The School has entered into a settlement agreement with the Ohio Department of Education.

NOTE 13 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. In addition, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	**2018**	**2017**	**2016**
School's proportion of the net pension liability	0.00000000%	0.00000000%	0.00000000%	0.00000058%
School's proportionate share of the net pension liability	$ -	$ -	$ -	$ 160
School's covered payroll	$ -	$ -	$ -	$ -
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014	
	0.00012371%		0.00012371%
$	30,091	$	35,844
$	12,646	$	83,892
	237.95%		42.73%
	74.70%		69.30%

MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ -	$ 1,644	$ 10,906	$ 11,929	$ 16,547	$ 9,293
-	(1,644)	(10,906)	(11,929)	(16,547)	(9,293)
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ 12,646	$ 83,892	$ 91,762	$ 127,285	$ 71,485
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

PENSION

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. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

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. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

OHIO AUDITOR OF STATE
KEITH FABER

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

Mahoning Unlimited Classroom
Mahoning County
7320 N Palmyra Road
Canfield, Ohio 44406

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mahoning Unlimited Classroom, Mahoning County, (the School) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 13, 2021. We noted the School has a significant deficit net position and we also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. We consider finding 2020-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

School*'s Response to Findings*

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

July 13, 2021

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

1. **Controls for Identifying and Removing Duplicate Time, and Drop Out Recovery Program Requirements**

FINDING NUMBER 2020-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 3314.08(C) provides the formula upon which community schools are funded on a fulltime equivalency (FTE) basis. In addition, **§ 3314.08(H)** requires the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The processes for calculating fulltime equivalency and any enrollment for less than the equivalent of a full school year used by the Ohio Department of Education (ODE) under Ohio Rev. Code § 3314.08(H) are reflected in its 2020 FTE Review Manual available on its website. In order for the school to receive accurate funding under Ohio Rev. Code § 3314.08(C), the school should follow the procedures outlined in this 2020 FTE Review Manual.

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

The FY20 FTE Review Manual states that "e-Schools may have systems that track learning opportunity participation that take place within the school's online system. If an E-school's online system has this capability, then the school must produce Excel spreadsheets showing the daily/weekly/monthly accounting of learning opportunities and the final total of all online learning opportunities that the student participated in and were tracked by the e-School's system."

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

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

Testing identified the following:

- Offline time was not supported by the School, documenting how much testing time and non-computer learning time each students had. The information did not include times or dates, at a minimum, which is required by the FTE manual;
- The School does not maintain individual daily calendars or logs for students time, however, every nine weeks the teachers will adjust the students durational data;
- One out of five students tested in fiscal year 2020 and 2019, respectively, did not have enrollment support on file, thus, it could not be determined if enrollment was timely;

FINDING NUMBER 2020-001
(Continued)

- The EMIS Coordinator is currently reviewing the ODDEX system for a daily basis for accuracy, however, no evidence was provided showing the EMIS Coordinator's review of this report through screenshots, initials, signatures or notes;
- A review of the student handbooks did not identify a policy over verification of student residence/address, documenting participation in learning opportunities for both at home, online and offline/non-classroom computer time, and capturing and reporting idle time when calculating a student's participation;
- For one out of five students tested, we could not determine if the student met the requirements to be enrolled in the drop-out recovery program due to the unavailability of records;
- In the beginning of fiscal year 2020, the School had a change in learning management systems, which resulted in the unavailability of student attendance, participation, and log-tracking records for fiscal year 2019. As a result, testing could not be performed for five students over timely withdrawal requirements due to the unavailability of records; and
- The School has not established a written policy over true-up calculations/payments. Upon termination of the Sponsorship agreement with the Jefferson County Education Service Center, it was determined the School owed $5,710 which was paid on June 15, 2021.

During fiscal year 2019, ODE performed a FTE review which identified the following:

- Six students had time documented prior to the start of the school year and four students had time document subsequent to the end of the school year; and
- Two students had over 10 hours of time documented for multiple days during the school year. One of the students reported over 17 hours of learning time for one day; and
- Offline time was documented, however, was not properly certified to support the inclusion of time. In addition, teachers estimated and universally applied the same time to offline projects and assignments for all students who completed those projects and assignments.

These situations led to the School reporting a higher FTE within EMIS for certain students and receiving more funding than entitled which subsequently led to the School owing ODE monies as a result of being over-funded. In addition, failure to compile non-computer, non-classroom base time in accordance with the FTE manual could allow for duplication to go undetected.

The School should continue to work with the Sponsor to ensure the requirements are being met and documented. In addition, the School should continue to refer to the current version of the FTE manual to ensure compliance with relevant funding guidance and requirement and should seek technical assistance from pertinent authorities as needed and appropriate. Finally, the School should review the student files to help ensure the required information is included. Since ODE receives a copy of this audit report, they may subsequently perform a FTE review over future years potentially impacting school funding.

Official's Response: See Summary Schedule of Prior Audit Findings.

2. **Financial Reporting**

FINDING NUMBER 2020-002

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District hired an outside accounting firm to convert the District's cash-basis financial statements to the required GAAP basis.

However, the District did not have policies and procedures in place to identify financial statement errors, which led to the following and are reflected in the accompanying financial statements:

- The School netted JV Adjustments on the Foundation Settlement against Revenues causing revenues to be overstated and expenses to be understated by $113,955 and $114,734 in fiscal years 2020 and 2019, respectively;
- The GAAP converter included payables of $19,774 on the fiscal year 2020 financial statements which should not have been, resulting in the overstatement of Intergovernmental Payable and Purchased Services expenses; and
- The GAAP converter did not record a liability of $33,902 on the fiscal year 2019 financial statements, resulting in the understatement of Intergovernmental Payable and Purchased Services expenses.

Other mispostings were identified, however they were not material and the School decided not to make the adjustments.

Improper financial reporting can result in irregularities that decrease the reliability of the basic financial statements.

To help ensure the School's financial statements are complete and accurate, the School should adopt policies and procedures to identify and correct errors and omissions. In addition, the School should review the GAAP working papers to ensure the figures reported on the financial statements are accurate.

Official's Response: GAAP conversion vendor has been changed for FY21. GAAP conversion papers will be reviewed in an attempt to identify and correct errors made by the vendor prior to financial statements being finalized and filed with AOS. Personnel responsible for receipting School Foundation Settlement dollars have been trained to avoid netting JV adjustments against Revenues, and will instead record those as JV adjustments as expenditures when required. A process to review all Foundation receipts has been established.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 3314.08(C), 3314.08(H)(3) - Controls for Identifying and Removing Duplicate Time	Partially Corrected	The LMS system used during the audit period did not have a feature to calculate and remove online learning opportunity time that exceeded 10 hours in any period of 24 hours. Beginning with the 2020-21 school year, a new LMS system has been implemented that will cap online student learning opportunities at 10 hours each day so that no student is given credit for more than 10 hours in any period of 24 hours. Additionally, offline time is tracked (requests for offline time are submitted by students) and reviewed by teachers and or the principal before time is awarded for the offline opportunity. The student requested offline time is not always the time that is granted for a particular student—the teacher or principal determines and awards the appropriate amount of time for each opportunity on an individual basis. Documentation of the offline learning opportunity is submitted by the student at the time of their request and reviewed. Other offline time, such as time spent in the classroom taking required State exams, is documented via sign in sheets and awarded based on the time each student spent taking said exams. In all cases, offline time is compared to online time so that no duplicate time is being award to a student on a particular day.

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OHIO AUDITOR OF STATE
KEITH FABER

MAHONING UNLIMITED CLASSROOM

MAHONING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 8/24/2021

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