

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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



Dave Yost • Auditor of State

Members of the Board
Youngstown Community School
50 Essex Street
Youngstown, Ohio 44502

We have reviewed the *Independent Auditor's Report* of the Youngstown Community School, Mahoning County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 11, 2018

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**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Youngstown Community School
Youngstown , Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Youngstown Community School, Mahoning County, Ohio, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youngstown Community School as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



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

December 1, 2017

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**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position decreased \$742,293 which represents a 137.33% decrease from 2016.
- The School had operating revenues of \$2,600,158 and operating expenses of \$4,091,670 during fiscal year 2017. The School also received \$726,871 in federal and State grants, \$18,158 in donations and \$4,311 in interest income during fiscal year 2017. The total change in net position for the fiscal year was a decrease of \$742,293.

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 statement of net position and statement 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 Statement of Cash Flows

These statements look at all financial transactions and ask the question, "How did the School do financially during fiscal year 2017?" The statement of net position and the 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 change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 11 and 12 of this report.

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 14-34 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension liability. The required supplementary information can be found on pages 35 through 41 of this report.

The table below provides a summary of the School's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets	\$ 1,747,189	\$ 2,130,086
Capital assets, net	<u>1,994,929</u>	<u>2,131,425</u>
Total assets	<u>3,742,118</u>	<u>4,261,511</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>1,238,459</u>	<u>437,891</u>
Total deferred outflows of resources	<u>1,238,459</u>	<u>437,891</u>
<u>Liabilities</u>		
Current liabilities	408,387	347,229
Non-current liabilities:		
Net pension liability	5,518,250	4,211,249
Other amounts	<u>162,236</u>	<u>139,267</u>
Total liabilities	<u>6,088,873</u>	<u>4,697,745</u>
<u>Deferred Inflows of Resources</u>		
Pensions	<u>174,499</u>	<u>542,159</u>
Total deferred inflows of resources	<u>174,499</u>	<u>542,159</u>
<u>Net Position</u>		
Net investment in capital assets	1,974,013	2,131,425
Restricted	144,943	126,234
Unrestricted (deficit)	<u>(3,401,751)</u>	<u>(2,798,161)</u>
Total net position	<u>\$ (1,282,795)</u>	<u>\$ (540,502)</u>

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

The School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$1,282,795.

At year-end, capital assets represented 53.31% of total assets. Capital assets consisted of buildings and improvements, and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending. The School's net investment in capital assets at June 30, 2017 was \$1,974,013. A portion of the School's net position, \$144,943, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of (\$1,282,795).

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

Change in Net Position			
	2017	2016	Percentage Change
<u>Operating Revenues:</u>			
Foundation payments	\$ 2,563,376	\$ 2,648,926	(3.23) %
Charges for services	2,311	9,028	(74.40) %
Other	34,471	32,206	7.03 %
Total operating revenues	2,600,158	2,690,160	(3.35) %
<u>Operating Expenses:</u>			
Salaries and wages	1,956,727	1,898,795	3.05 %
Fringe benefits	794,716	462,688	71.76 %
Contract services	915,973	519,532	76.31 %
Materials and supplies	243,357	216,551	12.38 %
Other	20,424	31,595	(35.36) %
Depreciation	160,473	156,962	2.24 %
Total operating expenses	4,091,670	3,286,123	24.51 %
<u>Non-operating Revenues (Expenses):</u>			
Federal and State grants	726,871	824,101	(11.80) %
Donations	18,158	133,524	(86.40) %
Interest income	4,311	3,612	19.35 %
Interest and fiscal charges	(121)	(13,440)	(99.10) %
Loss on disposal of capital assets	-	(8,211)	(100.00) %
Total non-operating revenues (expenses)	749,219	939,586	(20.26) %
Change in net position	(742,293)	343,623	(316.02) %
Net position at beginning of year	(540,502)	(884,125)	(38.87) %
Net position at end of year	\$ (1,282,795)	\$ (540,502)	137.33 %

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

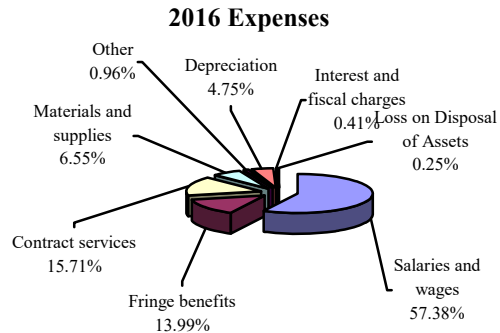
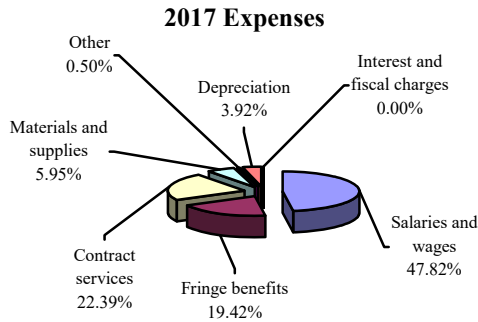
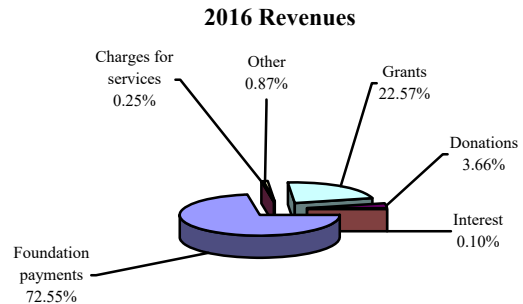
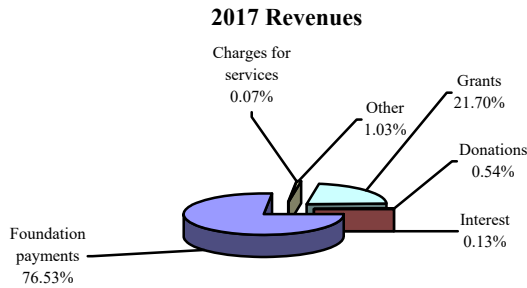
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

During fiscal year 2017, the School's net position decreased by \$742,293 from a deficit of \$540,502 to a deficit of \$1,282,795. This decrease in net position is the result of increased expenses outpacing steady revenues in fiscal year 2017.

The slight decrease in overall revenues is due to a slight decrease in federal and State grant funding, as well as a decrease in foundation payments received by the School during fiscal year 2017.

The increase in overall expenses is primary due to the increase in fringe benefits. Fringe benefits increased due to an increase in the net pension liability.

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



Capital Assets

At June 30, 2017, the School had \$1,994,929 in buildings and improvements, and furniture and equipment, net of accumulated depreciation. See Note 5 to the basic financial statements for detail on capital assets.

Debt Administration

At June 30, 2017, the School had no outstanding debt.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

Current Financial Related Activities

The School was founded by Developing Potential, Inc., which is now known as Sister Jerome's Schools, Inc. The School currently operates as an independent, non-profit Ohio public charter school, sponsored by the Mahoning County Educational Service Center.

The School is funded through the State's foundation program, as it has no tax base to draw upon and cannot charge tuition, levy taxes, or issue bonds secured by tax revenues. The School may apply for grants and solicit funding support from public and private sources. The School currently participates in the federal Title I program, the Breakfast and Lunch program, Part B IDEA and Improving Teachers Quality.

Students benefit to a great degree from federal programs, which enhance the overall curriculum. The School 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: Ms. Michelle Pitzulo, Treasurer, Youngstown Community School, 50 Essex Street, Youngstown, Ohio, 44502.

BASIC
FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 1,575,261
Receivables:	
Accounts	8,500
Intergovernmental.	149,338
Prepayments	<u>14,090</u>
Total current assets	<u>1,747,189</u>
Non-current assets:	
Depreciable capital assets, net	<u>1,994,929</u>
Total assets.	<u>3,742,118</u>
Deferred outflows of resources:	
Pension - STRS	1,003,902
Pension - SERS	<u>234,557</u>
Total deferred outflows of resources	<u>1,238,459</u>
Liabilities:	
Current liabilities:	
Accounts payable.	14,555
Accrued wages and benefits	309,020
Pension obligation payable.	45,477
Intergovernmental payable	35,486
Capital lease obligation.	<u>3,849</u>
Total current liabilities	<u>408,387</u>
Non-current liabilities:	
Compensated absences payable	145,169
Capital lease obligation.	17,067
Net pension liability	<u>5,518,250</u>
Total non-current liabilities	<u>5,680,486</u>
Total liabilities	<u>6,088,873</u>
Deferred inflows of resources:	
Pension - STRS.	160,511
Pension - SERS.	<u>13,988</u>
Total deferred inflows of resources	<u>174,499</u>
Net position:	
Investment in capital assets.	1,974,013
Restricted for:	
Federal programs	58,259
Other purposes	86,684
Unrestricted (deficit)	<u>(3,401,751)</u>
Total net position (deficit)	<u>\$ (1,282,795)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

Operating revenues:	
Foundation payments	\$ 2,563,376
Charges for services.	2,311
Other	34,471
Total operating revenues	2,600,158
 Operating expenses:	
Salaries and wages.	1,956,727
Fringe benefits.	794,716
Contract services	915,973
Materials and supplies	243,357
Other.	20,424
Depreciation	160,473
Total operating expenses.	4,091,670
Operating loss	(1,491,512)
 Non-operating revenues (expenses):	
Federal and State grants.	726,871
Interest income	4,311
Donations.	18,158
Interest and fiscal charges	(121)
Total nonoperating revenues (expenses)	749,219
 Change in net position	 (742,293)
Net position (deficit) at beginning of year.	(540,502)
Net position (deficit) at end of year	\$ (1,282,795)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from State foundation payments	\$ 2,556,081
Cash received from charges for services	2,311
Cash received from other operations	34,781
Cash payments for personal services	(2,592,797)
Cash payments for contract services	(892,531)
Cash payments for materials and supplies.	(231,658)
Cash payments for other operations	(20,424)
	(1,144,237)
Net cash used in operating activities	(1,144,237)
Cash flows from noncapital financing activities:	
Federal and State grants	742,019
Donations	18,158
	760,177
Net cash provided by noncapital financing activities.	760,177
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(2,781)
Principal retirement.	(280)
Interest and fiscal charges.	(121)
	(3,182)
Net cash used in capital and related financing activities.	(3,182)
Cash flows from investing activities:	
Interest received	4,311
	4,311
Net cash provided by investing activities	4,311
Net decrease in cash and cash equivalents.	(382,931)
Cash and cash equivalents at beginning of year.	1,958,192
Cash and cash equivalents at end of year	\$ 1,575,261
	1,575,261
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,491,512)
Adjustments:	
Depreciation	160,473
Changes in assets and liabilities:	
Decrease in accounts receivable	310
Increase in intergovernmental receivable	(11,621)
Increase in prepayments	(3,871)
Increase in deferred outflows - Pension - STRS.	(635,404)
Increase in deferred outflows - Pension - SERS.	(165,164)
Increase in accounts payable.	8,050
Increase in accrued wages and benefits	45,821
Increase in intergovernmental payable	13,281
Increase in compensated absences payable	398
Decrease in pension obligation payable	(4,339)
Increase in net pension liability	1,307,001
Decrease in deferred inflows - Pension - STRS	(334,507)
Decrease in deferred inflows - Pension - SERS	(33,153)
	(33,153)
Net cash used in operating activities	\$ (1,144,237)

Noncash transactions:

During the current fiscal year the School entered in a capital lease agreement in the amount of \$21,196.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL

Youngstown Community School (the "School") is a school as provided for by Ohio Revised Code Chapters 3314 and 1702 within the Youngstown City School District. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Youngstown Community School may sue and be sued in its own name, acquire facilities as needed, and contract for services necessary for the operation of the School.

The creation of the School was initially proposed to the Ohio Department of Education by Developing Potential, Inc., which is now known as Sister Jerome's Schools, Inc., on July 17, 1998. The Ohio Department of Education approved the proposal and entered into a contract with Developing Potential, Inc., which provided for the commencement of School operations on September 8, 1998. On July 2, 2001, the School became its own incorporation. The School operates as an independent non-profit Ohio public charter school.

The School operates under a fourteen-member Board of Developers (the "Board"). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by 38 certified personnel and 12 classified personnel to provide services to 338 students.

The School participates in a jointly governed organization, the Area Cooperative Computerized Educational Service System. This organization is discussed in Note 16 to the basic financial statements.

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 fund 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been reported for the following two items related the School's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position reports 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.

The School also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments 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 does not formally prescribe a budgetary process for the School, but the School is required to adopt a five-year spending plan in accordance with State statute and to submit an annual budget at the request of the Board.

E. Cash and Investments

The School maintains two depository accounts and a repurchase agreement. All funds of the School are maintained in these accounts. The depository accounts and repurchase agreement are presented on the statement of net position as "equity in pooled cash and cash equivalents". During fiscal year 2017, investments were limited to the repurchase agreement, which is reported at cost.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market value as of the date donated. The School maintains a capitalization threshold of \$500. The School does not have any infrastructure. Improvements are capitalized. 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. The building is depreciated over an estimated useful life of thirty years. Improvements are depreciated over the remaining useful lives of the related capital assets. Equipment is depreciated over five to ten years.

G. Operating Revenues and Expenses

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

H. Intergovernmental Revenues

The School currently participates in the State foundation program, the Federal Part B IDEA program, the Federal Title I program, and various other State and federal grant programs. Revenues received from the State foundation program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the School on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate enrollment data to the State, upon which State foundation funding is calculated. The review identifies the amount of any overpayment or underpayment to the School. As a result of the review, the School is entitled to \$3,468 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

**YOUNGSTOWN COMMUNITY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Employees of the School cannot carry over vacation balances from one year to the next. Therefore, the liability for compensated absences payable reported on the statement of net position does not include a component for vacation liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The total liability reported on the statement of net position for compensated absences payable is \$145,169.

J. Net Position

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

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

K. Prepayments

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

L. Inventory

On the financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method and consist of general instructional, office and custodial materials and supplies. The School had no inventory as of June 30, 2017.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

M. 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.

N. Pensions

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

O. Fair Market Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2017, the School has implemented GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement provides guidance for the pension plans. The implementation of this statement had no effect on the financial statements of the School.

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

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash on Hand

At fiscal year-end, the School had \$150 in undeposited cash on hand, which is included in the basic financial statements as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all School deposits was \$262,084. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$56,084 of the School’s bank balance of \$306,084 was exposed to custodial credit risk, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the School’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

C. Investments

As of June 30, 2017, the School had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
Cost:		
Repurchase agreement	<u>\$ 1,313,027</u>	<u>\$ 1,313,027</u>

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School's investment in the federal agency securities that underlie the repurchase agreement, was rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The School's investment policy does not specifically address credit risk beyond requiring the School to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Cost:		
Repurchase Agreement	<u>\$ 1,313,027</u>	<u>100.00</u>

D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2017:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 262,084
Investment	1,313,027
Cash on hand	<u>150</u>
Total	<u>\$ 1,575,261</u>
 <u>Cash and cash equivalents per statement of net position</u>	 <u>\$ 1,575,261</u>

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2017 follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Capital assets:</u>				
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	\$ 4,105,953	\$ -	\$ -	\$ 4,105,953
Furniture and equipment	<u>271,599</u>	<u>23,977</u>	<u>-</u>	<u>295,576</u>
Total capital assets, being depreciated	<u>4,377,552</u>	<u>23,977</u>	<u>-</u>	<u>4,401,529</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,052,975)	(136,865)	-	(2,189,840)
Furniture and equipment	<u>(193,152)</u>	<u>(23,608)</u>	<u>-</u>	<u>(216,760)</u>
Total accumulated depreciation	<u>(2,246,127)</u>	<u>(160,473)</u>	<u>-</u>	<u>(2,406,600)</u>
Capital assets, net	<u>\$ 2,131,425</u>	<u>\$ (136,496)</u>	<u>\$ -</u>	<u>\$ 1,994,929</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A list of the receivables reported on the statement of net position follows:

Accounts	\$ 8,500
Intergovernmental	<u>149,338</u>
Total	<u>\$ 157,838</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 7 - CAPITAL LEASES

During the current fiscal year, the School entered into a capitalized lease for copier equipment. The School's lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The equipment has been capitalized in the amount of \$21,196, which is the present value of the minimum lease payments at the inception of the lease. The net book value of the equipment as of June 30, 2017 was \$16,957.

During fiscal year 2017, the School made principal and interest payments in the amounts of \$280 and \$121, respectively.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG TERM OBLIGATIONS

During the fiscal year 2017, the following changes occurred in long-term obligations.

	Balance <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2017</u>	Due in <u>One Year</u>
Compensated absences	\$ 144,771	\$ 5,902	\$ (5,504)	\$ 145,169	\$ -
Capital lease obligation	-	21,196	(280)	20,916	3,849
Net pension liability	<u>4,211,249</u>	<u>1,307,001</u>	<u>-</u>	<u>5,518,250</u>	<u>-</u>
	<u>\$ 4,356,020</u>	<u>\$ 1,334,099</u>	<u>\$ (5,784)</u>	<u>\$ 5,684,335</u>	<u>\$ 3,849</u>

Compensated absences - See Note 9 for detail.

Capital lease - See Note 7 for detail.

Net pension liability - See Note 11 for detail.

NOTE 9 - OTHER EMPLOYEE BENEFITS

The criteria for determining vacation leave and sick leave benefits are derived from School policies. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment, but does not carry forward from year to year. Teachers do not earn vacation time. Certified and classified employees earn sick leave at a rate of 1.25 days per month in a twelve-month period. Certified employees can accumulate a sick leave balance up to a maximum of 180 days and are paid 25% of this balance. Classified employees can accumulate a sick leave balance up to a maximum of 180 days and are paid 25% of this balance. Upon retirement, and with a minimum of ten years' service, employees receive a severance payment based on these criteria.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2017, the School contracted with Philadelphia Indemnity Insurance Company for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$3,000,000 annual aggregate, a \$0 deductible for general liability insurance, and a \$5,000 deductible for professional liability insurance. The School contracted with Philadelphia Indemnity Insurance Company for business personal property with a limit of \$700,000 at 50 Essex Street, a limit of \$30,000 at 44 Essex Street, and a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Rating Plan

For fiscal year 2017, the School participated in the Better Business Bureau Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services to the GRP.

C. Employee Benefits

The School has contracted with the Mahoning County Schools Employee Insurance Consortium (See Note 17) for employee medical, prescription drug, dental, and vision benefits, which are provided through Medical Mutual. The School has also contracted with Anthem Life for life insurance benefits. The School pays 90% of the monthly premium for single coverage. An employee may add a spouse or child or family, but the employee pays 75% of the monthly premium.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

**YOUNGSTOWN COMMUNITY SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School’s contractually required contribution to SERS was \$58,615 for fiscal year 2017. Of this amount, \$2,918 is reported as pension obligation payable.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

**YOUNGSTOWN COMMUNITY SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The School’s contractually required contribution to STRS was \$210,390 for fiscal year 2017. Of this amount, \$34,025 is reported as pension obligation payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.01231610%	0.01269483%	
Proportion of the net pension liability current measurement date	<u>0.01282580%</u>	<u>0.01368123%</u>	
Change in proportionate share	<u>0.00050970%</u>	<u>0.00098640%</u>	
Proportionate share of the net pension liability	\$ 938,730	\$ 4,579,520	\$ 5,518,250
Pension expense	\$ 96,259	\$ 311,519	\$ 407,778

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 12,661	\$ 185,034	\$ 197,695
Net difference between projected and actual earnings on pension plan investments	77,433	380,223	457,656
Changes of assumptions	62,665	-	62,665
Difference between School contributions and proportionate share of contributions/ change in proportionate share	23,183	228,255	251,438
School contributions subsequent to the measurement date	<u>58,615</u>	<u>210,390</u>	<u>269,005</u>
Total deferred outflows of resources	<u>\$ 234,557</u>	<u>\$ 1,003,902</u>	<u>\$ 1,238,459</u>
Deferred inflows of resources			
Difference between School contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 13,988</u>	<u>\$ 160,511</u>	<u>\$ 174,499</u>
Total deferred inflows of resources	<u>\$ 13,988</u>	<u>\$ 160,511</u>	<u>\$ 174,499</u>

\$269,005 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 40,181	\$ 93,058	\$ 133,239
2019	40,126	93,060	133,186
2020	59,386	238,959	298,345
2021	<u>22,261</u>	<u>207,924</u>	<u>230,185</u>
Total	<u>\$ 161,954</u>	<u>\$ 633,001</u>	<u>\$ 794,955</u>

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School's proportionate share of the net pension liability	\$ 1,242,820	\$ 938,730	\$ 684,194

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$ 6,085,810	\$ 4,579,520	\$ 3,308,876

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the School's net pension liability is expected to be significant.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School's surcharge obligation was \$7,418.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$7,418, \$6,683, and \$9,657, respectively. The fiscal year 2017 amount has been reported as pension obligation payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 13 - CONTINGENCIES

A. Grants

The School receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 13 - CONTINGENCIES - (Continued)

B. State Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

B. Litigation

The School is not party to legal proceedings which, in the opinion of School management, will have a material effect, if any, on the financial condition of the School.

NOTE 14 - CONTRACT SERVICES

For the fiscal year ended June 30, 2017, contract services expenses were as follows:

Professional and technical services	\$ 206,508
Property services	481,209
Travel expenses	4,091
Communications	7,943
Utilities	70,970
Contracted services	138,085
Pupil transportation	<u>7,167</u>
Total	<u>\$ 915,973</u>

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 15 - FEDERAL TAX EXEMPT STATUS

On March 14, 2002, the School was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The Area Cooperative Computerized Educational Service System (ACCESS) is a computer network which provides data services to two career centers, two educational service centers, twenty-four member school districts, five non-member non-public school districts, five non-member school districts, and three other customers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member schools. Each of the member schools supports ACCESS based upon a per-pupil charge, which was \$44.75 for fiscal year 2017. The Youngstown Community School fee was \$14,365 for fiscal year 2017. Of this amount, the School paid \$4,253 to ACCESS and \$10,112 was paid by the federal E-Rate program. ACCESS is governed by an Assembly consisting of the Superintendents or other designees of the member school districts. The Assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting and designating management. All ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio, 44512.

NOTE 17 - PUBLIC ENTITY RISK POOL

The Mahoning County Schools Employee Insurance Consortium (the "Consortium") is a shared risk pool comprised of various schools within Mahoning County. The Consortium is governed by an Assembly, which consists of one representative from each participating school (usually the Superintendent or designee). The Assembly elects officers for one-year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability	0.01282580%	0.01231610%	0.01285200%	0.01285200%
School's proportionate share of the net pension liability	\$ 938,730	\$ 702,769	\$ 650,432	\$ 764,267
School's covered-employee payroll	\$ 413,507	\$ 370,781	\$ 373,442	\$ 427,030
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.02%	189.54%	174.17%	178.97%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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.

**YOUNGSTOWN COMMUNITY SCHOOL
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 FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability	0.01368123%	0.01269483%	0.01354453%	0.01354453%
School's proportionate share of the net pension liability	\$ 4,579,520	\$ 3,508,480	\$ 3,294,498	\$ 3,924,385
School's covered-employee payroll	\$ 1,479,021	\$ 1,148,800	\$ 1,383,877	\$ 1,493,992
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	309.63%	305.40%	238.06%	262.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 58,615	\$ 57,891	\$ 48,869	\$ 51,759
Contributions in relation to the contractually required contribution	<u>(58,615)</u>	<u>(57,891)</u>	<u>(48,869)</u>	<u>(51,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 418,679	\$ 413,507	\$ 370,781	\$ 373,442
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 59,101	\$ 54,672	\$ 44,608	\$ 51,267	\$ 34,568	\$ 34,351
<u>(59,101)</u>	<u>(54,672)</u>	<u>(44,608)</u>	<u>(51,267)</u>	<u>(34,568)</u>	<u>(34,351)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 427,030	\$ 406,483	\$ 354,877	\$ 378,634	\$ 351,301	\$ 349,807
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 210,390	\$ 207,063	\$ 160,832	\$ 179,904
Contributions in relation to the contractually required contribution	<u>(210,390)</u>	<u>(207,063)</u>	<u>(160,832)</u>	<u>(179,904)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,502,786	\$ 1,479,021	\$ 1,148,800	\$ 1,383,877
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 194,219	\$ 178,857	\$ 184,407	\$ 161,933	\$ 158,453	\$ 163,947
<u>(194,219)</u>	<u>(178,857)</u>	<u>(184,407)</u>	<u>(161,933)</u>	<u>(158,453)</u>	<u>(163,947)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,493,992	\$ 1,375,823	\$ 1,418,515	\$ 1,245,638	\$ 1,218,869	\$ 1,261,131
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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

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

To the Members of the Board
Youngstown Community School
Youngstown , Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Youngstown Community School, Mahoning County, Ohio, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



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

December 1, 2017

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2017**

The prior audit report, as of June 30, 2016, included no findings or management letter recommendations.

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Dave Yost • Auditor of State

YOUNGSTOWN COMMUNITY SCHOOL

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 23, 2018