

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

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2016**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Interactive Media and Construction Inc., Richland County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 11, 2017

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INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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Garfield Hts., Ohio 44125*

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INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Interactive Media and Construction, Inc, Richland County, Ohio, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the School is requesting forgiveness of intergovernmental payable through legal process. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 22, 2016, on our consideration of the Interactive Media and Construction, Inc'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 Interactive Media and Construction, Inc's internal control over financial reporting and compliance.

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

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

December 22, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Interactive Media and Construction, Inc. ("IMAC") financial performance provides an overall review of IMAC's financial activities for the fiscal year 2016. The intent of this discussion and analysis is to look at IMAC's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of IMAC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position was a \$62,421 at June 30, 2016.
- IMAC had operating revenues of \$607,052, operating expenses of \$975,207 and non-operating revenues of \$74,481 for fiscal year 2016. Total change in net position for the fiscal year was a decrease of \$293,674. This significant decrease was the result of reporting the net pension liability required by GASB 68. The measurement date for the pension liability reporting in fiscal year 2015 was June 30, 2014. IMAC was not the employer of record with the pension system during fiscal year 2014. IMAC became the employer of record in fiscal year 2015, therefore a liability was reported in the current fiscal year.

Using these Basic Financial Statements

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

Reporting IMAC's Financial Activities

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

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

These two statements report IMAC's *net position* and changes in net position. This change in net position is important because it tells the reader that, for IMAC as a whole, the *financial position* of IMAC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 10 and 11 of this report.

The statement of cash flows provides information about how IMAC finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 12 of this report.

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

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-29 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 IMAC's net pension liability. The required supplementary information can be found on pages 30-34 of this report.

The table below provides a summary of IMAC's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	\$ 363,747	\$ 479,578
Non-current assets	<u>5,193</u>	<u>8,939</u>
Total assets	<u>368,940</u>	<u>488,517</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>903,257</u>	<u>51,101</u>
<u>Liabilities</u>		
Current liabilities	182,167	183,523
Net pension liability	<u>959,509</u>	<u>-</u>
Total liabilities	<u>1,141,676</u>	<u>183,523</u>
<u>Deferred Inflows of Resources</u>		
Pension	<u>68,100</u>	<u>-</u>
<u>Net Position</u>		
Investment in capital assets	5,193	8,939
Unrestricted	<u>57,228</u>	<u>347,156</u>
Total net position	<u>\$ 62,421</u>	<u>\$ 356,095</u>

During the current and prior fiscal year, IMAC adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of IMAC'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.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

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

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 IMAC'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, IMAC 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, IMAC'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.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, IMAC's net position is \$62,421.

The unrestricted net position is \$57,228. At year-end, capital assets represented 1.41% of total assets. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital asset are used to provide services to the students and are not available for future spending.

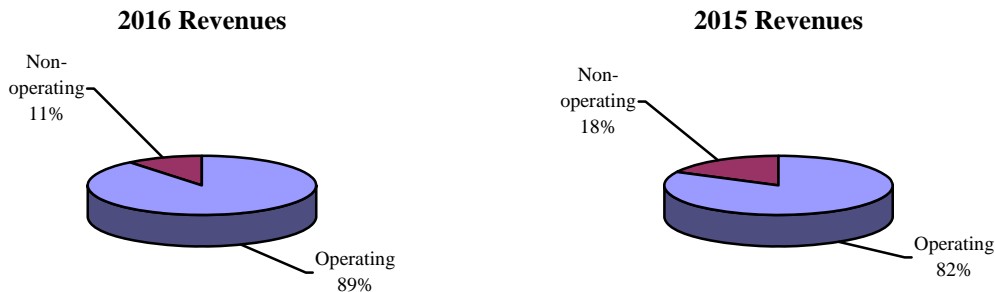
**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

	Change in Net Position	
	<u>2016</u>	<u>2015</u>
<u>Operating Revenues:</u>		
Foundation revenue	\$ 238,174	\$ 347,575
Charges for services	368,808	149,457
Other	<u>70</u>	<u>3,365</u>
Total operating revenues	<u>607,052</u>	<u>500,397</u>
<u>Operating Expenses:</u>		
Salaries and wages	449,986	385,195
Fringe benefits	362,226	141,592
Purchased services	120,000	239,997
Materials and supplies	17,173	5,003
Depreciation	3,746	5,147
Other	<u>22,076</u>	<u>2,137</u>
Total operating expenses	<u>975,207</u>	<u>779,071</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	74,165	105,764
Interest revenue	<u>316</u>	<u>487</u>
Total non-operating revenues	<u>74,481</u>	<u>106,251</u>
Change in net position	(293,674)	(172,423)
Net position at beginning of year	<u>356,095</u>	<u>528,518</u>
Net position at end of year	<u>\$ 62,421</u>	<u>\$ 356,095</u>

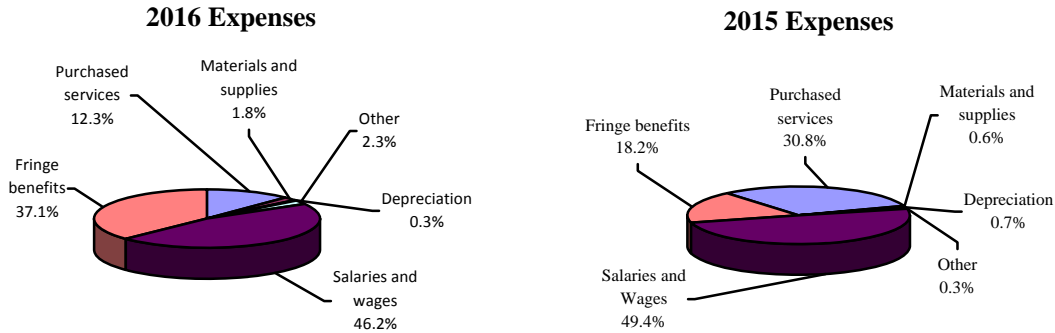
The charts below illustrate the revenues for IMAC for fiscal years 2016 and 2015.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The charts below illustrate the expenses for IMAC for fiscal years 2016 and 2015.



Capital Assets

At June 30, 2016, IMAC had \$5,193 invested in equipment. Overall, capital asset decreased \$3,746 as a result of IMAC having zero capital asset additions and having a depreciation expense of \$3,746 for fiscal year 2016. See Note 5 to the basic financial statements for additional detail on capital assets.

Current Financial Related Activities

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

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

Contacting IMAC's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the IMAC's finances and to show IMAC's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Dan Lamb, Treasurer at 40 Hill Road South, Pickerington, Ohio 43147 or email dlamb@charterschoolspec.com.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Cash and cash equivalents	\$ 294,770
Receivables:	
Accounts	70
Intergovernmental.	30,090
Prepayments	38,817
Total current assets	<u>363,747</u>
Non-current assets:	
Depreciable capital assets, net	<u>5,193</u>
Total non-current assets.	<u>5,193</u>
Total assets	<u>368,940</u>
 Deferred outflows of resources:	
Pension- STRS	865,261
Pension- SERS	37,996
Total deferred outflows of resources.	<u>903,257</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	4,246
Accrued wages and benefits.	25,761
Pension and postemployment benefits payable	4,551
Intergovernmental payable	147,609
Total current liabilities.	<u>182,167</u>
Non-current liabilities:	
Net pension liability	<u>959,509</u>
Total non-current liabilities.	<u>959,509</u>
Total liabilities	<u>1,141,676</u>
 Deferred inflows of resources:	
Pension- STRS	67,327
Pension- SERS	773
Total deferred inflows of resources	<u>68,100</u>
 Net position:	
Investment in capital assets	5,193
Unrestricted.	<u>57,228</u>
Total net position.	<u>\$ 62,421</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Operating revenues:	
Foundation revenue	\$ 238,174
Charges for services.	368,808
Other	70
Total operating revenues	<u>607,052</u>
Operating expenses:	
Salaries and wages.	449,986
Fringe benefits.	362,226
Purchased services.	120,000
Materials and supplies	17,173
Other.	22,076
Depreciation	3,746
Total operating expenses.	<u>975,207</u>
Operating loss	<u>(368,155)</u>
Non-operating revenues:	
Federal and State grants	74,165
Interest revenue	316
Total nonoperating revenues	<u>74,481</u>
Change in net position	(293,674)
Net position at beginning of year.	<u>356,095</u>
Net position at end of year.	<u>\$ 62,421</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

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

Cash flows from operating activities:	
Cash received from state foundation	\$ 239,449
Cash received from charges for services.	368,808
Cash received from other operations	135
Cash payments for salaries and wages.	(453,754)
Cash payments for fringe benefits	(213,471)
Cash payments for contractual services	(127,096)
Cash payments for materials and supplies	(17,173)
Cash payments for other expenses	(12,819)
	<hr/>
Net cash used in operating activities	(215,921)
Cash flows from noncapital financing activities:	
Federal and State grants.	81,246
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Net cash provided by noncapital financing activities.	81,246
Cash flows from investing activities:	
Interest received	316
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Net cash provided by investing activities	316
Net decrease in cash and cash equivalents	(134,359)
Cash and cash equivalents at beginning of year	429,129
Cash and cash equivalents at end of year	\$ 294,770
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Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (368,155)
Adjustments:	
Depreciation	3,746
Changes in assets, deferred outflows and inflows of resources and liabilities:	
(Increase) in Deferred outflows - STRS.	(815,784)
(Increase) in Deferred outflows - SERS.	(36,372)
Decrease in accounts receivable	65
Increase in intergovernmental receivable	(81)
(Increase) in prepayments	(25,593)
Increase in accounts payable.	2,179
(Decrease) in accrued wages and benefits	(3,639)
(Decrease) in intergovernmental payable	(111)
Increase in pension and postemployment benefits payable	215
Increase in net pension liability	959,509
Increase in Deferred inflows - STRS	67,327
Increase in Deferred inflows - SERS	773
	<hr/>
Net cash used in operating activities	\$ (215,921)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE IMAC

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

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

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

IMAC has a fiscal services agreement with Charter School Specialists, LLC.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

IMAC's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

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

B. Measurement Focus

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

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

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

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in their contract with their Sponsor. The contract between IMAC and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

Cash held by IMAC is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2016, investments were limited to a repurchase agreement. Investments were reported at fair value which is based on quoted market prices.

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. IMAC maintains a capitalization threshold of \$1,500. IMAC does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

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

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

G. Prepayments

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

H. Net Position

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

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

I. Operating Revenues and Expenses

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

J. Intergovernmental Revenue

IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Improving Teacher Quality grant and the Title II-D Technology grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2016 was \$74,165.

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

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

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

K. Pensions

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

L. Estimates

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

M. Fair Market Value

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 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of the IMAC’s deposits was \$(18,015), exclusive of the \$312,285 in repurchase agreements included in “investments” below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of IMAC’s bank accounts. The negative carrying amount of deposits is due to a timing difference in deposits. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, of IMAC’s bank balance of \$824, the entire balance is covered by the Federal Deposit Insurance Corporation (FDIC).

C. Investments

As of June 30, 2016, IMAC had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 312,285	\$ 312,285

The District’s investments in federal agency securities, negotiable certificates of deposit, commercial paper and U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

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

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

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of IMAC's \$312,285 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of IMAC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. IMAC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: IMAC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by IMAC at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 312,285	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (18,015)
Investments	312,285
Cash on hand	<u>500</u>
Total	<u>\$ 294,770</u>
 <u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 294,770</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity as of June 30, 2016, was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/16</u>
Capital assets, being depreciated:				
Equipment	\$ 168,582	\$ -	\$ -	\$ 168,582
Less: accumulated depreciation	<u>(159,643)</u>	<u>(3,746)</u>	<u>-</u>	<u>(163,389)</u>
Capital assets	<u>\$ 8,939</u>	<u>\$ (3,746)</u>	<u>\$ -</u>	<u>\$ 5,193</u>

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - RECEIVABLES

IMAC had the following intergovernmental receivables at June 30, 2016:

School retirement system refund	\$ 1,806
Food service	907
Ohio Department of Education	6,262
IDEA, Part B	7,999
Title I	<u>13,116</u>
Total	<u>\$ 30,090</u>

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

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in IMAC's long-term obligations during fiscal year 2016 were as follows.

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</u>	<u>Due Within</u> <u>One Year</u>
Net pension liability	\$ -	\$ 959,509	\$ -	\$ 959,509	\$ -
Total governmental activities long-term liabilities	<u>\$ -</u>	<u>\$ 959,509</u>	<u>\$ -</u>	<u>\$ 959,509</u>	<u>\$ -</u>

Net Pension Liability: See Note 11 for details.

NOTE 8 - PURCHASED SERVICES

For the period ended June 30, 2016, purchased services expenses were as follows:

Professional and technical services	\$ 59,686
Property rental	32,600
Travel and meetings	2,878
Communications	4,334
Contracted services	11,354
Other	<u>9,148</u>
Total	<u>\$ 120,000</u>

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

NOTE 9 - RISK MANAGEMENT

IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2016, IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. IMAC provides \$25,000 in bond coverage for the Treasurer through Travelers Casualty and Surety.

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

NOTE 10 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. There were two adjustments to Foundation revenue. The first adjustment was \$1,647, which is recorded as an intergovernmental payable on that statement of net position. The second adjustment was \$6,262, which is recorded as an intergovernmental receivable on the statement of net position.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

B. Plan Description - School Employees Retirement System (SERS)

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the IMAC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 IMAC's contractually required contribution to SERS was \$19,507 for fiscal year 2016. Of this amount, \$0 is reported as pension and postemployment benefits payable.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description –IMAC 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.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The IMAC's contractually required contribution to STRS was \$25,752 for fiscal year 2016. Of this amount, \$10,293 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The IMAC's proportion of the net pension liability was based on the IMAC'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>
Proportionate Share of the Net Pension Liability	\$23,354	\$936,155	\$959,509
Proportion of the Net Pension Liability	0.00040930%	0.00338732%	
Pension Expense	\$7,262	\$235,556	\$242,818

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$376	\$42,677	\$43,053
Changes in proportionate share	18,113	774,726	792,839
District contributions subsequent to the measurement date	<u>19,507</u>	<u>47,858</u>	<u>67,365</u>
Total Deferred Outflows of Resources	<u>\$37,996</u>	<u>\$865,261</u>	<u>\$903,257</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$773</u>	<u>\$67,327</u>	<u>\$68,100</u>
Total Deferred Inflows of Resources	<u>\$773</u>	<u>\$67,327</u>	<u>\$68,100</u>

\$67,365 reported as deferred outflows of resources related to pension resulting from IMAC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$5,506	\$178,488	\$183,994
2018	5,506	178,488	183,994
2019	5,505	178,489	183,994
2020	<u>1,199</u>	<u>214,611</u>	<u>215,810</u>
Total	<u>\$17,716</u>	<u>\$750,076</u>	<u>\$767,792</u>

E. Actuarial Assumptions - SERS

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 averaged 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 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

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

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 IMAC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 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%)
District's proportionate share of the net pension liability	\$32,385	\$23,354	\$15,751

F. Actuarial Assumptions - STRS

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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>100.00 %</u>	

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$1,300,392	\$936,155	\$628,141

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

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The IMAC contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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.

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 2016, 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 2016, this amount was \$23,000. 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 2016, the IMAC's surcharge obligation was \$944.

The IMAC's contributions for health care for the fiscal years ended June 30, 2016 and 2015 were \$944 and \$101, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description - The IMAC 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.

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

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

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

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

NOTE 13 - FISCAL SERVICES CONTRACT

IMAC entered into a service contract with Charter School Specialists, LLC (CSS), for the period July 1, 2015 through June 30, 2016, to provide fiscal consulting services. The IMAC paid CSS \$30,000 in service fees for fiscal year 2016.

NOTE 14 - OPERATING LEASE - LESSEE DISCLOSURE

IMAC along with the Mansfield Elective Academy and the Mansfield Enhancement Academy entered into a one year operating lease commencing September 1, 2008 and ending August 31, 2009 with the City of Mansfield for the use of classrooms and offices. This lease has been renewed on an annual basis with the most recent renewal for an additional one year term commencing August 1, 2015 and ending July 31, 2016. The lease payment is \$8,150 per month, with payments divided between the three participating schools. IMAC paid \$40,750 in lease payments during fiscal year 2016.

NOTE 15 - SERVICE AGREEMENT

The Mansfield Enhancement Academy and the Mansfield Elective Academy entered into a service agreement with IMAC. IMAC provides educational services including teachers and administrators to the academies. The services are provided on a purchased service or reimbursement basis. IMAC received \$123,202 and \$245,606 from Mansfield Enhancement Academy and Mansfield Elective Academy, respectively in fiscal year 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FISCAL YEAR

	<u>2015</u>
IMAC's proportion of the net pension liability	0.00040930%
IMAC's proportionate share of the net pension liability	\$ 23,354
IMAC's covered-employee payroll	\$ 12,322
IMAC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.53%
Plan fiduciary net position as a percentage of the total pension liability	69.16%

Note: Information prior to fiscal year 2015 was not applicable.

Amounts presented as of IMAC's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FISCAL YEAR

	<u>2015</u>
IMAC's proportion of the net pension liability	0.00338732%
IMAC's proportionate share of the net pension liability	\$ 936,155
IMAC's covered-employee payroll	\$ 353,407
IMAC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%
Plan fiduciary net position as a percentage of the total pension liability	72.10%

Note: Information prior to fiscal year 2015 was not applicable.

Amounts presented as of the IMAC's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2016	2015
Contractually required contribution	\$ 19,507	\$ 1,624
Contributions in relation to the contractually required contribution	(19,507)	(1,624)
Contribution deficiency (excess)	\$ -	\$ -
IMAC's covered-employee payroll	\$ 139,336	\$ 12,322
Contributions as a percentage of covered-employee payroll	14.00%	13.18%

Note: Information prior to fiscal year 2015 was not applicable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 47,858	\$ 49,477
Contributions in relation to the contractually required contribution	<u>(47,858)</u>	<u>(49,477)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
IMAC's covered-employee payroll	\$ 341,843	\$ 353,407
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2015 was not applicable.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2015-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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 2015-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2016. 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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Ohio Society of Certified Public Accountants

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

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

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Interactive Media and Construction, Inc, Richland County, Ohio, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 22, 2016, wherein we noted the School is requesting forgiveness of intergovernmental payable through legal process.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Interactive Media and Construction, Inc'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 Interactive Media and Construction, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of the Interactive Media and Construction, Inc'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 Interactive Media and Construction, Inc'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 Interactive Media and Construction, Inc'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 Interactive Media and Construction, Inc'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 Interactive Media and Construction, Inc's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 22, 2016

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

The prior audit report as of June 30, 2015 had no audit findings or management letter recommendations.

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Dave Yost • Auditor of State

INTERACTIVE MEDIA AND CONSTRUCTION

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 4, 2017