



**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**REGULAR AUDIT**

**FOR THE PERIOD ENDING JUNE 30, 2001**



**JIM PETRO  
AUDITOR OF STATE**

**STATE OF OHIO**



YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Youngstown Community School  
Mahoning County  
50 Essex Street  
Youngstown, Ohio 44502

To the Governing Board:

We have audited the Balance Sheet of the Youngstown Community School, Mahoning County, (the School), a division of Developing Potential Inc., as of June 30, 2001, and the related Statement of Revenues, Expenses and Changes in Retained Earnings and the Statement of Cash Flows as of and for the year ended June 30, 2001. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youngstown Community School, Mahoning County, a division of Developing Potential Inc., as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2001 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

November 27, 2001

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**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**Balance Sheet  
As of June 30, 2001**

**Assets**

*Current Assets*

Equity in Pooled Cash and Cash Equivalents	\$622,776
Receivables:	
Intergovernmental	25,294
Other	<u>650</u>
Total Current Assets	648,720

*Non-Current Assets*

Fixed Assets (Net of Accumulated Depreciation)	<u>28,287</u>
Total Assets	<u><u>\$677,007</u></u>

**Liabilities and Fund Equity**

*Current Liabilities*

Accrued Wages and Benefits	\$50,694
Intergovernmental Payable	<u>7,115</u>
Total Current Liabilities	57,809

*Long-Term Liabilities*

Compensated Absences Payable	<u>19,239</u>
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Total Liabilities	77,048
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Retained Earnings and Fund Equity	<u>599,959</u>
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Total Liabilities and Fund Equity	<u><u>\$677,007</u></u>
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*See accompanying notes to the financial statements.*

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**Statement of Revenues, Expenses, and  
Changes in Retained Earnings  
For the Year Ended June 30, 2001**

<b>Operating Revenue</b>	
Foundation Payments	\$735,820
Charges for Services	22,365
Other Operating Revenues	<u>25,663</u>
Total Operating Revenues	<u>783,848</u>
<b>Operating Expenses:</b>	
Salaries	449,771
Fringe Benefits	89,767
Purchased Services	135,131
Materials and Supplies	80,771
Depreciation	3,672
Other Operating Expenses	<u>15,716</u>
Total Operating Expenses	<u>774,828</u>
Operating Income	<u>9,020</u>
<b>Non-Operating Revenues</b>	
State and Federal Grants	214,097
Interest	<u>20,477</u>
Total Non-Operating Revenues	<u>234,574</u>
Net Income	243,594
Retained Earnings Beginning of Year	<u>356,365</u>
Retained Earnings End of Year	<u><u>\$599,959</u></u>

*See accompanying notes to the financial statements.*



**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**Statement of Cash Flows  
For the Year Ended June 30, 2001**

***Increase (Decrease) in Cash and Cash Equivalents***

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$735,820
Cash Received from Customers	21,715
Cash Received from Other Operating Sources	369
Cash Payments to Suppliers for Goods and Services	(215,902)
Cash Payments to Employees for Services	(420,342)
Cash Payments for Employee Benefits	(91,136)
Cash Payments for Other Operating Expenses	<u>(15,716)</u>

*Net Cash Provided by Operating Activities* 14,808

**Cash Flows from Noncapital Financing Activities**

Cash Received from State and Federal Grants 216,212

**Cash Flows from Capital and Related Financing Activities**

Payments for Capital Acquisitions (14,107)

**Cash Flows from Investing Activities**

Interest on Investments 20,477

*Net Increase in Cash and Cash Equivalents* 237,390

*Cash and Cash Equivalents Beginning of Year* 385,386

*Cash and Cash Equivalents End of Year* \$622,776

***Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities***

*Operating Income* \$9,020

***Adjustments***

Depreciation 3,672

*(Increase) in Assets*

Accounts Receivable (650)

Intergovernmental Receivable (25,294)

*Increase (Decrease) in Liabilities*

Accrued Wages and Benefits 21,931

Compensated Absences Payable 7,498

Intergovernmental Payable (1,369)

*Total Adjustments* 5,788

*Net Cash Provided by Operating Activities* \$14,808

*See accompanying notes to the financial statements.*

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**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Youngstown Community School (the School) is a school as provided for by Ohio Revised Code Sections 3314.03 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 accepted by the Ohio Department of Education, the sponsor, on July 17, 1998. The Ohio Department of Education approved the proposal and entered into a contract with Developing Potential Corporation which provided for the commencement of School operations on September 8, 1998. Developing Potential Corporation qualifies as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. 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. Developing Potential also operates the Millcreek Children's Center, a pre-school primarily for children of low-income, working parents. Separate accounting records are maintained for the Millcreek Children's Center and a separate governing authority is accountable for the activities of the Millcreek Children's Center. See Note 10 to the financial statements for a description of transactions between the Youngstown Community School and the Millcreek Children's Center.

The School operates under a seven-member Board of Developers. 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 of Developers controls the School's one instructional/support facility staffed by three non-certified personnel, twelve certificated full time teaching personnel who provide services to 120 students, one full time certified principal and one full time licensed Treasurer.

The financial statements present only the activity and balances of the Youngstown Community School and not Developing Potential Corporation and/or the Millcreek Children's Center.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America 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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The School utilizes enterprise fund accounting. The more significant of the School's accounting policies are described below.

**A. Basis Of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) 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 FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases ( i.e., expenses) in net total assets.

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. 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 prescribe a budgetary process for the School.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School is pooled. All monies are maintained in this pool. At June 30, 2001, the School did not have any investments.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

**E. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of two hundred fifty dollars. The School does not possess 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.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five to ten years.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$150,000 to be received in equal installments over 3 years in order to offset start-up costs of the school. This program is recognized as non-operating revenue in the accompanying financial statements.

Certain grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**G. 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. The School records a liability for accumulated unused vacation time when earned for all employees.

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 entire amount of compensated absences is reported as a liability.

**H. Operating Lease**

The Youngstown Community School leases office space and classroom space from the Millcreek Children's Center. The School had entered into a lease for this space for a period of three years from September 1, 1998, through August 31, 2001. The Youngstown Community School signed an addendum to this lease agreement which ended the original term of the lease agreement as of June 30, 2001. The Youngstown Community School has paid all obligations related to this lease agreement. The lease is currently renewable on an annual basis, with agreement by both parties.

The Youngstown Community School and Millcreek Children's Center are divisions of Developing Potential Inc.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

At fiscal year-end, the carrying amount of the School's deposits was \$622,776 and the bank balance was \$640,590. Of the bank balance, \$100,000 was covered by federal depository insurance with \$540,590 being uninsured and uncollateralized.

**4. RECEIVABLES**

Receivables at June 30, 2001, consisted of accounts receivable and intergovernmental grants.

**5. FIXED ASSETS**

A summary of the School's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$35,055
Less Accumulated Depreciation	<u>(6,768)</u>
Net Fixed Assets	<u><u>\$28,287</u></u>

**6. 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 2001, the School contracted with Gallagher Pipino, Incorporated for general and professional liability insurance with \$1,000,000 for each occurrence limit and \$1,000,000 annual aggregate with a \$250 deductible.

Settled claims have not exceeded this commercial coverage in either of the past two years. There have been no significant reductions in coverage from last year.

**B. Worker's Compensation**

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor of approximately one percent.

**C. Employee Benefits**

The School has contracted with Principal Life Insurance Company to provide employee medical benefits. The School pays 100 percent of the monthly premium for single coverage but has no family plan. An employee may add a spouse or child but the employee pays the entire premium. For fiscal year 2001, the School's premiums varied per employee.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$5,823, \$3,208 and \$2,039, respectively; 100 percent has been contributed for fiscal years 2001, 2000 and 1999.

**B. State Teachers Retirement System**

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 6 percent was the portion used to fund the pension obligation. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$18,869, \$9,915 and \$11,392, respectively; 88.87 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The amount of \$4,899 representing the unpaid contribution for fiscal year 2001, is recorded as a liability.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, the School has no employees or members of the governing board which contribute to Social Security.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$25,158 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$8,999.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.



**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per year, depending on length of service. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one half days per month in a ten month period. Sick leave may be accumulated to a maximum of 180 days for certified and classified employees.

**10. RELATED PARTY TRANSACTIONS**

During the fiscal year, the Youngstown Community School paid \$57,830 in rent to the Mill Creek Children's Center. The Mill Creek Children's Center and the Youngstown Community School are divisions of Developing Potential Inc.

**11. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 27, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**12. CONTINGENCIES**

The School received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2001.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. PURCHASED SERVICES**

For the fiscal period of July 1, 2000 through June 30, 2001, purchased service expenses were payments for services rendered by various vendors as follows:

Health Aide Services	\$ 13,998
Psychological Services	127
Speech Services	8,587
Accounting Services	1,765
Payroll Services	1,386
Writing Policy Manual	1,389
Garbage Removal	927
Repair & Maintenance Services	7,304
Rent	57,830
Meeting Expenses	1,645
Communication Expenses	3,215
Special Education Services	4,839
Contracted Food Services	31,566
Physical Education Services	324
Pupil Transportation Services	<u>229</u>
Total	<u>\$135,131</u>



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Youngstown Community School  
Mahoning County  
50 Essex Street  
Youngstown, Ohio 44502

To the Governing Board:

We have audited the financial statements of the Youngstown Community School, Mahoning County, Ohio (the School) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 27, 2001. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Youngstown Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Youngstown Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Youngstown Community School in a separate letter dated November 27, 2001.

Youngstown Community School  
Mahoning County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of the audit committee, management and the Governing Board and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 27, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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 15, 2002**