



Dave Yost • Auditor of State

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of Youngstown Community School, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Youngstown Community School, Mahoning County, Ohio, as of June 30, 2012, and the respective changes in financial position and cash flows, thereof 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 January 22, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Federal Awards Receipt and Expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipt and Expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 22, 2013

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The discussion and analysis of the Youngstown Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets were \$2,690,926 at June 30, 2012.
- The School had operating revenues of \$2,588,207 and operating expenses of \$3,264,169 for fiscal year 2012. The School also received \$770,436 in federal and State grants, \$194,444 in donations, \$5,739 in interest income and paid \$100,592 in interest and fiscal charges during fiscal year 2012. The School incurred a loss on the disposal of capital assets in the amount of \$8,457. The total change in net assets for the fiscal year was an increase of \$185,608.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows

These statements look at all financial transactions and ask the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 11 of this report.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below provides a summary of the School's net assets at June 30, 2012 and June 30, 2011.

Net Assets		
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 1,863,639	\$ 1,851,980
Capital assets, net	<u>2,751,162</u>	<u>2,875,285</u>
Total assets	<u>4,614,801</u>	<u>4,727,265</u>
<u>Liabilities</u>		
Current liabilities	652,953	613,207
Long term liabilities	<u>1,270,922</u>	<u>1,608,740</u>
Total liabilities	<u>1,923,875</u>	<u>2,221,947</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,262,209	1,066,924
Unrestricted	<u>1,428,717</u>	<u>1,438,394</u>
Total net assets	<u>\$ 2,690,926</u>	<u>\$ 2,505,318</u>

Over time, net assets can serve as a useful indicator of a government's financial position. The School's financial position at June 30, 2012 has improved compared to the prior year as a result of a decrease in liabilities, specifically and primarily the capital lease obligation. At June 30, 2012, the School's assets exceeded liabilities by \$2,690,926.

At year-end, capital assets represented 59.62% of total assets. Capital assets consisted of buildings and improvements, and equipment and furniture. Capital assets are used to provide services to the students and are not available for future spending. The amount invested in capital assets, net of related debt at June 30, 2012 was \$1,262,209. The remaining balance of unrestricted net assets of \$1,428,717 may be used to meet the School's ongoing obligations.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2012 and 2011.

Change in Net Assets			
	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
<u>Operating Revenues:</u>			
Foundation payments	\$ 2,547,532	\$ 2,384,865	6.82 %
Charges for services	14,734	18,555	(20.59) %
Other	25,941	5,374	382.71 %
Total operating revenue	<u>2,588,207</u>	<u>2,408,794</u>	7.45 %
<u>Operating Expenses:</u>			
Salaries and wages	1,790,573	1,796,524	(0.33) %
Fringe benefits	568,689	540,634	5.19 %
Contract services	507,885	544,103	(6.66) %
Materials and supplies	204,808	156,099	31.20 %
Other	29,349	31,677	(7.35) %
Depreciation	162,865	161,921	0.58 %
Total operating expenses	<u>3,264,169</u>	<u>3,230,958</u>	1.03 %
<u>Non-operating Revenues (Expenses):</u>			
Federal and State grants	770,436	1,112,315	(30.74) %
Donations	194,444	182,020	6.83 %
Interest income	5,739	9,365	(38.72) %
Interest and fiscal charges	(100,592)	(119,285)	(15.67) %
Loss on disposal of capital assets	(8,457)	-	100.00 %
Total non-operating revenues (expenses)	<u>861,570</u>	<u>1,184,415</u>	(27.26) %
Change in net assets	185,608	362,251	(48.76) %
Net assets at beginning of year	<u>2,505,318</u>	<u>2,143,067</u>	16.90 %
Net assets at end of year	<u>\$ 2,690,926</u>	<u>\$ 2,505,318</u>	7.41 %

During fiscal year 2012, the School's net assets increased by \$185,608, from \$2,505,318 to \$2,690,926. This increase in net assets is the result of steady revenues continuing to outpace the School's expenses in fiscal year 2012.

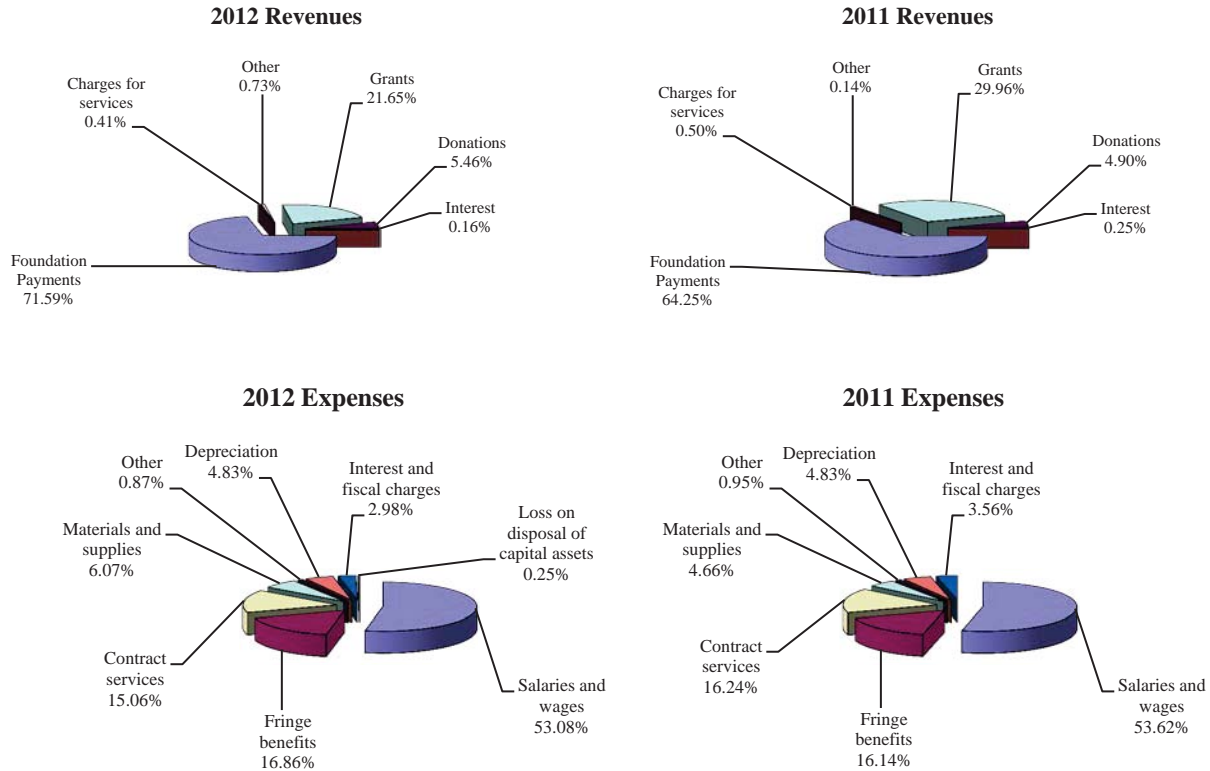
The decrease in overall revenues of \$153,668 or 4.14% is mainly due to a decrease in non-operating federal and State grant revenue. This decline is primarily attributable to the elimination of education stabilization federal funding during fiscal year 2012.

The insignificant increase in overall expenses of \$22,975 or 0.69% is a result of the School's effort to maintain financial stability through conservative spending during difficult economic times.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The charts below illustrate the revenues and expenses for the School during fiscal years 2012 and 2011.



Capital Assets

At June 30, 2012, the School had \$2,751,162 in buildings and improvements, and equipment and furniture, net of accumulated depreciation. See Note 5 to the basic financial statements for detail on capital assets.

Debt Administration

At June 30, 2012, the School had \$1,488,953 in capital lease obligations outstanding, with \$339,268 due within one year and \$1,149,685 due in more than one year. See Note 7 to the basic financial statements for detail on capital leases.

Current Financial Related Activities

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

The School is funded through the State's foundation program, as it has no tax base to draw upon and cannot charge tuition, levy taxes, or issue bonds secured by tax revenues. The School may apply for grants and solicit funding support from public and private sources. The School currently participates in the federal E-Rate program.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Students benefit to a great degree from federal programs, which enhance the overall curriculum. The School will aggressively pursue adequate funding to secure the financial stability of the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Michelle Murphy, Treasurer, Youngstown Community School, 50 Essex Street, Youngstown, Ohio 44502.

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**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Assets:

Current Assets:

Equity in pooled cash and cash equivalents	\$ 1,733,553
Receivables:	
Accounts	78
Intergovernmental.	126,683
Prepayments.	1,892
Materials and supplies inventory	1,433
Total current assets	1,863,639

Non-Current Assets:

Depreciable capital assets, net	2,751,162
Total assets	4,614,801

Liabilities:

Current Liabilities:

Accounts payable	9,942
Accrued wages and benefits	240,052
Pension obligation payable	45,815
Intergovernmental payable	17,876
Current portion of capital lease obligation.	339,268
Total current liabilities	652,953

Long-Term Liabilities:

Compensated absences payable	121,237
Capital lease obligation.	1,149,685
Total long-term liabilities	1,270,922
Total liabilities	1,923,875

Net assets:

Invested in capital assets, net of related debt	1,262,209
Unrestricted	1,428,717
Total net assets	\$ 2,690,926

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Foundation payments	\$ 2,547,532
Charges for services	14,734
Other	25,941
Total operating revenues	<u>2,588,207</u>
Operating expenses:	
Salaries and wages	1,790,573
Fringe benefits	568,689
Contract services	507,885
Materials and supplies	204,808
Other	29,349
Depreciation	162,865
Total operating expenses	<u>3,264,169</u>
Operating loss	<u>(675,962)</u>
Non-operating revenues (expenses):	
Federal and State grants	770,436
Donations	194,444
Interest income	5,739
Interest and fiscal charges	(100,592)
Loss on disposal of capital assets	(8,457)
Total non-operating revenues (expenses)	<u>861,570</u>
Change in net assets	185,608
Net assets at beginning of year	<u>2,505,318</u>
Net assets at end of year	<u><u>\$ 2,690,926</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities:	
Cash received from state foundation payments	\$ 2,547,532
Cash received from charges for services	14,656
Cash received from other operations	25,941
Cash payments for personal services	(2,335,760)
Cash payments for contract services	(501,866)
Cash payments for materials and supplies.	(203,133)
Cash payments for other operations	(32,423)
	<hr/>
Net cash used in operating activities	(485,053)
	<hr/>
Cash flows from noncapital financing activities:	
Federal and State grants	909,598
Donations	194,444
	<hr/>
Net cash provided by noncapital financing activities	1,104,042
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(51,109)
Principal retirement.	(319,408)
Interest and fiscal charges.	(100,592)
	<hr/>
Net cash used in capital and related financing activities	(471,109)
	<hr/>
Cash flows from investing activities:	
Interest received	5,739
	<hr/>
Net cash provided by investing activities.	5,739
	<hr/>
Net increase in cash and cash equivalents	153,619
Cash and cash equivalents at beginning of year.	1,579,934
	<hr/>
Cash and cash equivalents at end of year	\$ 1,733,553
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (675,962)
Adjustments:	
Depreciation	162,865
Changes in assets and liabilities:	
(Increase) in accounts receivable	(78)
Decrease in intergovernmental receivable	3,664
(Increase) in prepayments	(1,066)
Decrease in materials and supplies inventory	278
Increase in accounts payable	5,052
Increase in accrued wages and benefits.	15,325
Increase in pension obligation payable	6,116
(Decrease) in intergovernmental payable	(958)
(Decrease) in compensated absences payable	(289)
	<hr/>
Net cash used in operating activities	\$ (485,053)
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Non-Cash Activity:

At June 30, 2011, the School purchased \$3,910 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

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

The School operates under a seven-member Board of Developers. Of the seven-member Board, one of the Board members was appointed by Sister Jerome's Schools, Inc. 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 43 certified personnel and 15 classified personnel to provide services to 328 students.

The School participates in a jointly governed organization, the ACCESS Council of Governments. This organization is discussed in Note 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The School has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The School has elected not to apply this FASB guidance. The School's significant accounting policies are described below.

A. Basis of Presentation

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

B. Measurement Focus and Basis of Accounting

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net 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, but the School is required to adopt a five year spending plan.

D. Cash and Investments

The School maintains two depository accounts and a repurchase agreement. All funds of the School are maintained in these accounts. The depository accounts and repurchase agreement are presented on the Statement of Net Assets as "Equity in Pooled Cash and Cash Equivalents". During fiscal year 2012, investments were limited to the repurchase agreement, which is reported at cost.

E. Capital Assets and Depreciation

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

All capital assets are depreciated. Depreciation is computed using the straight-line method. The building is depreciated over an estimated useful life of thirty years. Improvements are depreciated over the remaining useful lives of the related capital assets. Equipment is depreciated over five to ten years.

F. Operating Revenues and Expenses

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

G. Intergovernmental Revenues

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

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

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate enrollment data to the State, upon which State foundation funding is calculated. The review identifies the amount of any overpayment or underpayment to the School. This review resulted in an underpayment to the School in the amount of \$15,139.

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School's termination policy. The total liability for compensated absences payable is \$121,237 and is reported on the Statement of Net Assets as a long-term liability.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2012, there were no net assets restricted by enabling legislation.

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

J. Prepayments

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

K. Inventory

On the financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method and consist of general instructional, office and custodial materials and supplies.

L. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash on Hand

At fiscal year end, the School had \$150 in undeposited cash on hand which is included in the basic financial statements as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all School deposits was \$130,182. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, all of the School's bank balance of \$144,772 was covered by the Federal Deposit Insurance Corporation.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2012, the School had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>
		<u>6 months or less</u>
Repurchase agreement	\$ 1,603,221	\$ 1,603,221

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

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

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

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,603,221	100.00

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the Statement of Net Assets as of June 30, 2012:

<u>Cash and Cash Equivalents per note</u>	
Carrying amount of deposits	\$ 130,182
Investment	1,603,221
Cash on hand	<u>150</u>
Total	<u>\$ 1,733,553</u>
<u>Cash and Cash Equivalents per Statement of Net Assets</u>	<u>\$ 1,733,553</u>

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2012 follows:

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>
<u>Capital assets:</u>				
<i>Capital assets, being depreciated:</i>				
Building and improvements	\$ 4,105,953	\$ -	\$ -	\$ 4,105,953
Furniture and equipment	<u>288,871</u>	<u>47,199</u>	<u>(26,237)</u>	<u>309,833</u>
Total capital assets, being depreciated	<u>4,394,824</u>	<u>47,199</u>	<u>(26,237)</u>	<u>4,415,786</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(1,368,650)	(136,865)	-	(1,505,515)
Furniture and equipment	<u>(150,889)</u>	<u>(26,000)</u>	<u>17,780</u>	<u>(159,109)</u>
Total accumulated depreciation	<u>(1,519,539)</u>	<u>(162,865)</u>	<u>17,780</u>	<u>(1,664,624)</u>
Capital assets, net	<u>\$ 2,875,285</u>	<u>\$ (115,666)</u>	<u>\$ (8,457)</u>	<u>\$ 2,751,162</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the Statement of Net Assets follows:

Accounts	\$ 78
Intergovernmental	<u>126,683</u>
Total	<u>\$ 126,761</u>

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

NOTE 7 - CAPITAL LEASES

In a prior fiscal year, the School entered into a lease agreement with Developing Potential, Inc., which is now known as Sister Jerome's Schools, Inc., for its building. The School's lease agreement meets the criteria of a capital lease as defined by Financial Accounting Standards Board (FASB) Statement No. 13, "Accounting for Leases". The building has been capitalized in the amount of \$4,105,953, which is the present value of the minimum lease payments at the inception of the lease.

The book value as of June 30, 2012 was \$2,600,438. During fiscal year 2012, the School made principal and interest payments in the amounts of \$319,408 and \$100,592, respectively.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - CAPITAL LEASES - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

<u>Year Ending June 30,</u>	
2013	\$ 420,000
2014	420,000
2015	420,000
2016	<u>420,000</u>
Total future minimum lease payments	1,680,000
Less: amount representing interest	<u>(191,047)</u>
Present value of future minimum lease payment	<u>\$ 1,488,953</u>

At June 30, 2012, a liability for the capital lease obligation in the amount of \$1,488,953 is reported on the Statement of Net Assets. Of this amount, \$339,268 is current and due within one year, and \$1,149,685 is long-term and due in more than one year.

NOTE 8 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from School policies and State laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment, but does not carry forward from year to year. Teachers do not earn vacation time. Certified and classified employees earn sick leave at a rate of 1.25 days per month in a twelve month period. Certified employees can accumulate a sick leave balance up to a maximum of 180 days and are paid 25% of this balance. Classified employees can accumulate a sick leave balance up to a maximum of 180 days and are paid 25% of this balance. Upon retirement, and with a minimum of 10 years service, employees receive a severance payment based on these criteria.

NOTE 9 - 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 2012, the School contracted with Philadelphia Indemnity Insurance Company for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$3,000,000 annual aggregate, a \$0 deductible for general liability insurance, and a \$5,000 deductible for professional liability insurance. The School contracted with Selective Insurance Company for business personal property with a limit of \$680,000 at 50 Essex Street, a limit of \$27,000 at 44 Essex Street, and a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Rating Plan

For fiscal year 2012, the School participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

C. Employee Benefits

The School has contracted with Anthem Blue Cross Blue Shield and Met-Life to provide employee medical benefits. The School pays 95 percent of the monthly premium for single coverage. For fiscal year 2012, the School's premium was fixed for a single employee. An employee may add a spouse or child or family, but the employee pays 75 percent of the premium.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School 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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$51,623, \$41,911 and \$48,389, respectively; 81.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$178,857, \$184,407 and \$179,520, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$21,818 made by the School and \$15,585 made by the plan members.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$7,807, \$10,646 and \$7,250, respectively; 81.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,049, \$2,697 and \$2,878, respectively; 81.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$13,758, \$14,185 and \$13,809, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

NOTE 12 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The School is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 13 - CONTRACT SERVICES

For the fiscal year ended June 30, 2012, contract services expenses were as follows:

Professional and technical services	\$ 177,509
Property services	115,061
Travel expenses	6,355
Communications	16,783
Utilities	65,255
Contracted services	111,439
Pupil transportation	<u>15,483</u>
Total	<u>\$ 507,885</u>

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 – RELATED PARTY TRANSACTIONS

Youngstown Community School remits a monthly rent payment to Developing Potential, Inc. (now known as Sister Jerome’s Schools, Inc.) in the amount of \$38,989 in accordance with their signed capital lease agreement (see Note 7). Of the total yearly amount paid of \$467,868, \$193,824 was returned to Youngstown Community School by Developing Potential Inc. as a donation.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

The Access Council of Governments (COG) is a computer network which provides data services to twenty-six school districts, two educational service centers, twenty non-public schools and two special education regional resource centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member schools. Each of the governments of these schools supports the COG based upon a per pupil charge, which was \$40.25 for fiscal year 2012. The Youngstown Community School fee was \$12,961 for fiscal year 2012. Of this amount, the School paid \$2,818 to the COG and \$10,143 was paid by the federal E-Rate program. The COG is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of the COG, including budgeting, appropriating, contracting and designating management. All of the COG revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio, 44512.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Nutrition Cluster:</i>			
School Breakfast Program	10.553	92,998	92,998
National School Lunch Program	10.555	144,524	144,524
Total Nutrition Cluster		<u>237,522</u>	<u>237,522</u>
Total U.S. Department of Agriculture		237,522	237,522
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	0	56,389
<i>Special Education Cluster:</i>			
Special Education Grants to States - IDEA B	84.027	58,781	68,162
Special Education Preschool Grants	84.173	208	208
ARRA - Special Education Grants to States, Recovery Act	84.391	0	(1,335)
Total Special Education Cluster		<u>58,989</u>	<u>67,035</u>
<i>Title I, Part A Cluster:</i>			
Title I Grants to Local Educational Agencies	84.010	381,877	387,074
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	7,393	7,383
Total Title I, Part A Cluster		<u>389,270</u>	<u>394,457</u>
ARRA - Education Jobs Fund, Recovery Act	84.410	123,139	123,139
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	40,261	38,641
Education Technology State Grant	84.318	2,468	2,468
Improving Teacher Quality State Grants	84.367	24,414	24,321
Total U.S. Department of Education		<u>638,541</u>	<u>706,450</u>
Total Federal Assistance		<u>876,063</u>	<u>943,972</u>

The accompanying notes to this schedule are an integral part of this schedule.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports Youngstown Community School's (the "School's") federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 Youngstown Community School, Mahoning County, (the "School") as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 22, 2013. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Governing Board, the Community School's sponsor, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 22, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Governing Board:

Compliance

We have audited the compliance of Youngstown Community School (the "School") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Youngstown Community School's major federal programs for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with these requirements.

In our opinion, Youngstown Community School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 22, 2013

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title 1, Part A Cluster – CFDA #84.010 and #84.389 Education Jobs Fund (Ed Jobs) – CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

YOUNGSTOWN COMMUNITY SCHOOL

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 26, 2013