



Dave Yost • Auditor of State

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mahoning Unlimited Classroom
Mahoning County
7401 Market Street, Suite 519
Youngstown, Ohio 44512

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Mahoning Unlimited Classroom, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mahoning Unlimited Classroom, Mahoning County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 15, 2015

MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position was \$430,811 at June 30, 2014, of which \$355,229 is unrestricted.
- The School had operating revenues of \$786,792 and operating expenses of \$878,203 for fiscal year 2014. The School also received \$83,048 in Federal and State grants and \$98 in interest income during fiscal year 2014. The total change in net position for the fiscal year was a decrease of \$8,265.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents look at all financial transactions and asks the question, How did we do financially during 2014? The statement of net position and statement of revenues, expenses and changes in net position 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below provides a summary of the School's net position for fiscal years 2014 and 2013.

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 439,997	\$ 399,116
Capital assets, net	<u>54,715</u>	<u>88,273</u>
Total assets	<u>494,712</u>	<u>487,389</u>
<u>Liabilities</u>		
Current liabilities	<u>63,901</u>	<u>48,313</u>
Total liabilities	<u>63,901</u>	<u>48,313</u>
<u>Net position</u>		
Investment in capital assets	54,715	88,273
Restricted	20,867	20,183
Unrestricted	<u>355,229</u>	<u>330,620</u>
Total net position	<u>\$ 430,811</u>	<u>\$ 439,076</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position totaled \$430,811.

At year-end, capital assets represented 11.06% of total assets, compared to 18.11% in 2013. Capital assets consist of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending, therefore, the School's investment in capital assets is reported as a separate component of net position.

A portion of the School's net position, \$20,867, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$355,229 may be used to meet the School's ongoing obligations to the students and creditors.

MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	2014	2013
<u>Operating revenues:</u>		
State Foundation	\$ 784,552	\$ 991,018
Services provided to other entities	2,240	59,275
Other	-	3,157
Total operating revenues	786,792	1,053,450
<u>Operating expenses:</u>		
Personal services	1,954	19,560
Purchased services	655,710	1,102,429
Materials and supplies	86,595	27,758
Other	100,386	122,931
Depreciation	33,558	34,113
Total operating expenses	878,203	1,306,791
<u>Non-operating revenues:</u>		
Federal and state grants	83,048	130,840
Interest income	98	105
Total non-operating revenues	83,146	130,945
Change in net position	(8,265)	(122,396)
Net position at beginning of year	439,076	561,472
Net position at end of year	\$ 430,811	\$ 439,076

The School experienced a decrease in enrollment for fiscal year 2014, which led to decreased State Foundation revenue. This is the primary source of revenue for the School and accounted for 90.18% of total revenues in 2014, compared to 83.67% in 2013. The School continues to supplement its State foundation revenues by applying for Federal and State grants whenever possible.

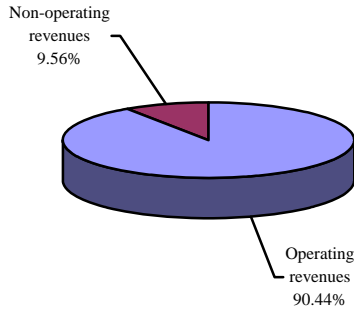
The School's most significant expenses are for purchased services. These expenses are primarily payments to the School's Sponsor (the Mahoning County Educational Service Center). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the School. In addition, the Sponsor provides personnel services to the School under a purchased services basis. Payments to the Sponsor in fiscal year 2014 totaled \$699,151, most of which were for instructional services and student and staff support.

MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

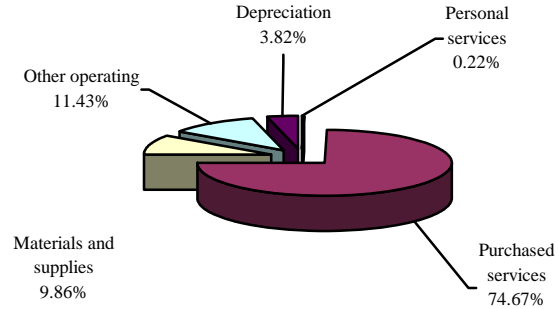
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (UNAUDITED)

The charts below illustrate the revenues and expenses for the School during fiscal 2014 and 2013.

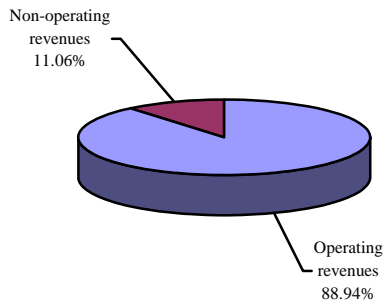
2014 Revenues



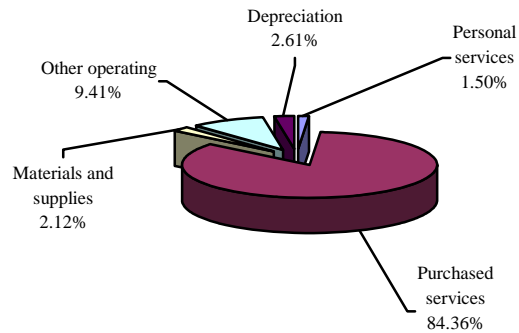
2014 Expenses



2013 Revenues



2013 Expenses



Capital Assets

At June 30, 2014, the School had \$54,715 invested in furniture and equipment, net of accumulated depreciation. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

**MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Blaise Karlovic, Treasurer, Mahoning Unlimited Classroom, 7401 Market Street, Suite 519, Youngstown, Ohio 44512.

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MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 365,372
Receivable:	
Intergovernmental.	74,625
Total current assets	<u>439,997</u>
Non-current assets:	
Capital assets, net.	<u>54,715</u>
Total assets	<u>494,712</u>
Liabilities:	
Current liabilities:	
Accounts payable	492
Intergovernmental payable	<u>63,409</u>
Total liabilities	<u>63,901</u>
Net position:	
Investment in capital assets	54,715
Restricted for:	
State funded programs.	8,800
Federally funded programs.	12,067
Unrestricted	<u>355,229</u>
Total net position	<u>\$ 430,811</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:	
State Foundation	\$ 784,552
Services provided to other entities	2,240
Total operating revenues	<u>786,792</u>
 Operating expenses:	
Personal services	1,954
Purchased services.	655,710
Materials and supplies.	86,595
Other operating expenses	100,386
Depreciation	33,558
Total operating expenses.	<u>878,203</u>
 Operating loss	 <u>(91,411)</u>
 Non-operating revenues:	
Federal and State grants	83,048
Interest income.	98
Total non-operating revenues	<u>83,146</u>
 Change in net position	 (8,265)
 Net position at beginning of year	 <u>439,076</u>
Net position at end of year	<u>\$ 430,811</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:		
Cash received from State Foundation	\$	792,752
Cash received from services provided to other entities		2,240
Cash payments for personal services		(1,954)
Cash payments to suppliers for goods and services.		(648,915)
Cash payments for materials and supplies		(86,533)
Cash payments for other expenses		(99,855)
		<hr/>
Net cash used in operating activities		(42,265)
		<hr/>
Cash flows from noncapital financing activities:		
Federal and State grants		8,423
		<hr/>
Net cash provided by noncapital financing activities		8,423
		<hr/>
Cash flows from investing activities:		
Interest received		98
		<hr/>
Net cash provided by investing activities		98
		<hr/>
Net decrease in cash and cash equivalents.		(33,744)
Cash and cash equivalents at beginning of year		399,116
Cash and cash equivalents at end of year.	\$	365,372
		<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$	(91,411)
Adjustments:		
Depreciation		33,558
Changes in assets and liabilities:		
Increase in accounts payable		346
Increase in intergovernmental payable		15,242
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Net cash used in operating activities	\$	(42,265)
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

The School is a legally separate, start-up community school, served by a Board of Directors. The seven person Board of Directors, appointed by the Mahoning County Educational Service Center (ESC), consists of three persons employed in administrator positions with the Mahoning County ESC, one person employed in an administrator position with the Mahoning County Career and Technical Center (MCCTC), one person who is neither an officer nor employee of the Mahoning County ESC or MCCTC who shall be a public educator or other public office, one person who is appointed to represent the interests of the parents and students of the School and the School's Treasurer. The School treasurer is a non-voting ex-officio of the Board of Directors.

The Mahoning County ESC sponsored the School during fiscal year 2014. Based on the significant influence the Board of Education of Mahoning County ESC has over the Board of Directors of the School, the School is a component unit of Mahoning County ESC.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 8). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 119 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Capital Assets and Depreciation

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

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

F. Net Position

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

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

**MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. The Ohio Department of Education conducts reviews of schools' enrollment data and full-time equivalency (FTE) calculations. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the School owes \$8,200 to the Ohio Department of Education. This amount is reflected as an intergovernmental payable on the basic financial statements.

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.

H. Estimates

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

I. Tax Exemption Status

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

NOTE 3 - DEPOSITS

At June 30, 2014, the carrying amount of all School deposits was \$365,372. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$250,000 of the School's bank balance of \$369,995 was covered by the Federal Deposit Insurance Corporation (FDIC), while \$119,995 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirement of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, consist of intergovernmental grants receivable. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The intergovernmental receivable of \$74,625 consists of the following Federal grants:

Intergovernmental receivables:	
IDEA Part B	\$ 35,448
Title I	38,694
Improving Teacher Quality	<u>483</u>
Total	<u>\$ 74,625</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Furniture and equipment	\$ 341,125	\$ -	\$ -	\$ 341,125
Less: accumulated depreciation	<u>(252,852)</u>	<u>(33,558)</u>	<u>-</u>	<u>(286,410)</u>
Capital assets, net	<u>\$ 88,273</u>	<u>\$ (33,558)</u>	<u>\$ -</u>	<u>\$ 54,715</u>

NOTE 6 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, professional liability is provided through the Mahoning County Educational Service Center's Wells Fargo Insurance Services USA, Inc. insurance plan which has a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible.

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2014, purchased service expenses were as follows:

Professional and technical services	\$ 592,975
Property services	26,925
Travel expenses	2,084
Communications	31,752
Craft or trade services	<u>1,974</u>
Total	<u>\$ 655,710</u>

**MAHONING UNLIMITED CLASSROOM
(A Component Unit of Mahoning County ESC)
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2013 and ending June 30, 2014, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS \$5,267 for services during fiscal year 2014.

B. Mahoning County ESC

The School has a service contract with Mahoning County ESC. This contract outlines the services that are provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2013 through June 30, 2014 were as follows:

Instructional	\$ 374,370
Student and staff support	130,382
Administrative	70,842
Fiscal	<u>123,557</u>
Total	<u>\$ 699,151</u>

NOTE 9 - CONTINGENCIES

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 of the School. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time.

NOTE 10 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

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Dave Yost • Auditor of State

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

Mahoning Unlimited Classroom
Mahoning County
7401 Market Street, Suite 519
Youngstown, Ohio 44512

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Mahoning Unlimited Classroom, Mahoning County, (the "School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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
Columbus, Ohio

January 15, 2015



Dave Yost • Auditor of State

MAHONING UNLIMITED CLASSROOM

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
FEBRUARY 12, 2015**