MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2014

Dave Yost • Auditor of State

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK.

INDEPENDENT AUDITOR'S REPORT

Mahoning Valley Opportunity Center
Mahoning County
496 Glenwood Avenue
Youngstown, Ohio 44502

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Mahoning Valley Opportunity Center, Mahoning County, Ohio (the Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center'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 Center'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 Center'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 the overall financial statement presentation.

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mahoning Valley Opportunity Center, Mahoning County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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 April 14, 2015, on our consideration of the Center'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 Center's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 14, 2015

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

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

The management's discussion and analysis of the Mahoning Valley Opportunity Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position was $507,422 at June 30, 2014.

- The Center had operating revenues of $733,972, operating expenses of $971,993, and non-operating revenues of $120,164 for the fiscal year ended June 30, 2014. The total change in net position for fiscal year 2014 was a decrease of $117,857.

Using these Basic Financial Statements

This annual report consists of the management's discussion and analyisis, the basic financial statements and notes to those statements. These statements are organized so the reader can understand the Center'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 Center, including all short-term and long-term financial resources and obligations.

Reporting the Center's Financial Activities

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

These statements look at all financial transactions and ask the question, "How did the Center do financially during fiscal year 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's net position and change in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position of the Center 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 7 and 8 of this report.

The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 10-19 of this report.

The table below provides a summary of the Center's net position at June 30, 2014 and June 30, 2013.

Net Position

	June 30, 2014	June 30, 2013
Assets		
Current assets	$ 453,859	$ 544,873
Capital assets, net	99,046	122,474
Total assets	552,905	667,347
Liabilities		
Current liabilities	45,483	42,068
Total liabilities	45,483	42,068
Net Position		
Investment in capital assets	99,046	122,474
Restricted	15,463	93,951
Unrestricted	392,913	408,854
Total net position	$ 507,422	$ 625,279

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Center's net position was $507,422.

At fiscal year end, capital assets, net of accumulated depreciation, represented 17.91% of total assets. Capital assets consisted 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. The Center's investment in capital assets at June 30, 2014 was $99,046. The Center also had net position at June 30, 2014 in the amount of $15,463 that was restricted in use. The remaining balance of unrestricted net position of $392,913 may be used to meet the Center's ongoing obligations.

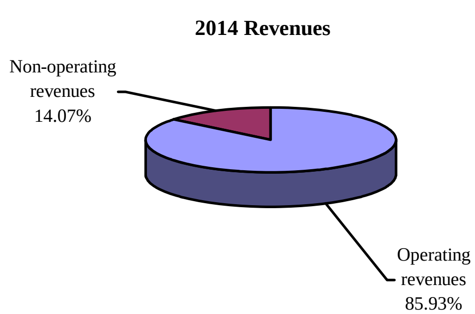
The table below shows the changes in net position for fiscal years 2014 and 2013.

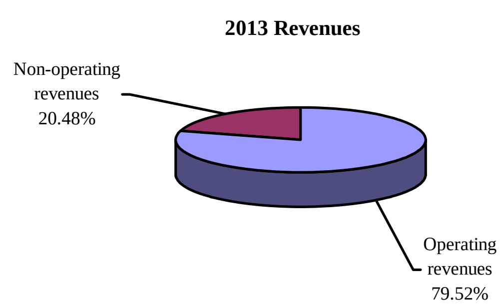
Change in Net Position

	June 30, 2014	June 30, 2013
Operating Revenues:		
State foundation	$ 733,972	$ 881,647
Total operating revenues	733,972	881,647
Operating Expenses:		
Salaries and wages	610,146	670,345
Fringe benefits	109,669	110,630
Purchased services	198,158	230,411
Materials and supplies	12,700	41,558
Depreciation	23,428	21,103
Other	17,892	26,125
Total operating expenses	971,993	1,100,172
Non-operating Revenues (Expenses):		
Federal and State grants	120,134	226,962
Interest revenue	30	40
Loss on disposal of capital assets	-	(19,517)
Total non-operating revenues (expenses)	120,164	207,485
Change in net position	(117,857)	(11,040)
Net position at beginning of year	625,279	636,319
Net position at end of year	$ 507,422	$ 625,279

During fiscal year 2014, the Center experienced a decrease in funding from both State and federal sources, but the reduction in revenues was partially offset by a reduction in total expenses. Overall, the Center maintained a strong financial position during fiscal year 2014.

The charts below illustrate the revenues for the Center during the fiscal years ended June 30, 2014 and June 30, 2013.

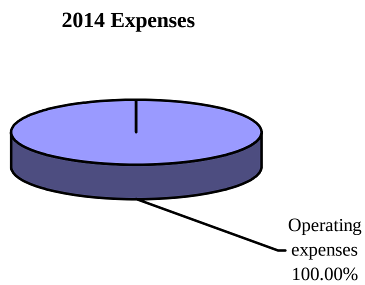


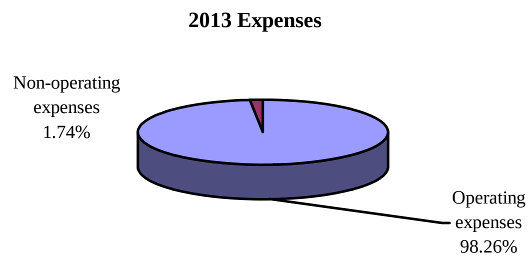


MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

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

The charts below illustrate the expenses for the Center during the fiscal years ended June 30, 2014 and June 30, 2013.





Capital Assets

At June 30, 2014, the Center had $99,046 invested in furniture and equipment. See Note 6 to the basic financial statements for more detail on the Center's capital assets.

Debt Administration

At June 30, 2014, the Center was not liable for any long-term obligations.

Current Financial Related Activities

The Center is sponsored by Youngstown City School District. The Center is reliant upon State foundation monies and State and federal grants to offer quality educational services to students.

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

Contacting the Center's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Edward N. Sobnosky, Treasurer, Mahoning Valley Opportunity Center, P.O. Box 549, Youngstown-Pittsburgh Road, New Middletown, Ohio 44442.

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:		
Current assets:		
Cash and cash equivalents.	$	435,519
Receivables:		
Accounts		516
Intergovernmental		16,812
Prepayments		1,012
Total current assets		453,859
Non-current assets:		
Capital assets, net.		99,046
Total assets.		552,905
Liabilities:		
Current liabilities:		
Accrued wages and benefits		21,088
Compensated absences payable		7,420
Intergovernmental payable		13,617
Pension obligation payable.		3,358
Total liabilities		45,483
Net position:		
Investment in capital assets.		99,046
Restricted for:		
State funded programs.		2,700
Federally funded programs.		12,763
Unrestricted		392,913
Total net position	$	507,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

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

Operating revenues:	
State foundation.	$ 733,972
Total operating revenues	733,972
Operating expenses:	
Salaries and wages.	610,146
Fringe benefits.	109,669
Purchased services.	198,158
Materials and supplies	12,700
Depreciation	23,428
Other.	17,892
Total operating expenses.	971,993
Operating loss	(238,021)
Non-operating revenues:	
Federal and State grants	120,134
Interest revenue	30
Total non-operating revenues.	120,164
Change in net position	(117,857)
Net position at beginning of year.	625,279
Net position at end of year	$ 507,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING VALLEY OPPORTUNITY CENTER
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	$	746,049
Cash payments for personal services		(730,187)
Cash payments to suppliers for goods and services . .		(198,158)
Cash payments for materials and supplies		(12,700)
Cash payments for other expenses		(17,921)
Net cash used in operating activities		(212,917)
Cash flows from noncapital financing activities:		
Federal and State grants.		207,228
Net cash provided by noncapital financing activities.		207,228
Cash flows from investing activities:		
Interest received		30
Net cash provided by investing activities		30
Net decrease in cash and cash equivalents.		(5,659)
Cash and cash equivalents at beginning of year . .		441,178
Cash and cash equivalents at end of year	$	435,519
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(238,021)
Adjustments:		
Depreciation		23,428
Changes in assets and liabilities:		
(Increase) in accounts receivable		(516)
(Increase) in intergovernmental receivable		(1,194)
(Increase) in prepayments		(29)
(Decrease) in accrued wages and benefits		(3,619)
Increase in compensated absences payable		1,359
Increase in intergovernmental payable		11,887
(Decrease) in pension obligation payable		(6,212)
Net cash used in operating activities	$	(212,917)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK.

NOTE 1 - DESCRIPTION OF THE CENTER

The Mahoning Valley Opportunity Center (the "Center") was established pursuant to Ohio Revised Code Chapter 3314 to establish a new conversion school in the Youngstown City School District (the "Sponsor") addressing the needs of students in grades 9 through 12. The Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Center may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is established and operated as a public benefit corporation in accordance with Chapter 1702 of the Ohio Revised Code.

The Center is designed to provide an educational environment in which students are given the opportunity to become successful learners guided by high expectations, for students in grades 9 through 12, ages 15 through 22. Enrollment is limited to students within Mahoning County. The Center uses the services of the Sponsor to assist with overall operations.

The Center was approved under contract with the Sponsor for a period of two years commencing January 13, 2007 through June 30, 2009. Thereafter, the Sponsor may renew the contract for additional one-year terms from July 1st through June 30th. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at the expiration of any one-year term. The Sponsor elected to renew the contract for fiscal years 2014 and 2015.

The Sponsor shall evaluate the performance of the Center according to the standards set forth in its Comprehensive Plan and Education Program. The Sponsor is not legally responsible for the final outcome of this community school. Upon dissolution of the Center, any assets remaining shall be conveyed to the Sponsor. The Sponsor, under a purchased services basis with the Center, provides planning, instructional, administrative, and technical services.

The Center operates under the direction of a self-appointed five-member Governing Board. The Governing 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, admission standards, and qualifications of teachers. The Center is staffed by 8 certified full-time teaching personnel and 7 non-certified staff members who provide services to 92 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Center 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.

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

The Center's significant accounting policies are described below.

A. Basis of Presentation

The Center’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise 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.

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

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

E. Cash and Cash Equivalents

All monies received by the Center are deposited in demand deposit accounts and recorded on the basic financial statements as “cash and cash equivalents”.

F. Capital Assets and Depreciation

All 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 on the date donated. The Center maintains a capitalization threshold of $5,000. The Center 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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment are depreciated over periods of five to ten years.

G. Net Position

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

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

H. Accrued Liabilities

The Center recognizes certain expenses due, but unpaid as of June 30, 2014. These expenses are reported as accrued liabilities in the accompanying basic financial statements.

I. Prepayments

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

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

J. Operating Revenues and Expenses

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

K. Intergovernmental Revenues

The Center currently participates in the State foundation program, the Federal Part B IDEA program, the Federal Title I program, and various other State and federal grant programs. Revenues received from the State foundation program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2014 was $733,972, and revenues from all other grants and entitlements totaled $120,134.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center 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 Center. As a result of the review, the Center is required to return $12,077 to the Ohio Department of Education. This amount is reflected as an intergovernmental payable on the basic financial statements.

L. Estimates

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

M. Capital Contributions

Capital contributions arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During fiscal year 2014, the Center did not receive any capital contributions.

N. Tax Exemption Status

The Center is a community school established under Chapter 3314 of Ohio Revised Code and thus, in the opinion of legal counsel, is exempt from federal income taxes due to the Center’s designation as a political subdivision, as defined by Ohio Revised Code §2744.01(F). Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center’s tax exempt status.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the Center 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 Center.

NOTE 4 - DEPOSITS

At June 30, 2014, the carrying amount of the Center's deposits was $435,519. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, $294,885 of the Center's bank balance of $544,885 was exposed to custodial risk as discussed below while $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Center'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 Center. The Center has no deposit policy for custodial credit risk beyond the requirements 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 Center to a successful claim by the FDIC.

NOTE 5 - PURCHASED SERVICES

During fiscal year 2014, purchased services expenses were as follows:

Professional and technical services	$ 107,961
Property services	82,826
Travel and meetings	1,652
Communications	4,111
Tuition	1,608
Total	$ 198,158

NOTE 6 - CAPITAL ASSETS

A summary of the Center's capital assets at June 30, 2014 follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets:				
Capital assets, being depreciated:				
Furniture and equipment	$ 212,394	$ -	$ -	$ 212,394
Total capital assets, being depreciated	212,394	-	-	212,394
Less: accumulated depreciation:				
Furniture and equipment	(89,920)	(23,428)	-	(113,348)
Total accumulated depreciation	(89,920)	(23,428)	-	(113,348)
Capital assets, net	$ 122,474	$ (23,428)	$ -	$ 99,046

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of accounts and intergovernmental grants and entitlements, which totaled $516 and $16,812, respectively. All receivables are considered collectible in full due to the stable condition of State and federal programs. All receivables are expected to be collected within one year.

NOTE 8 - BUILDING LEASE

The Center leases a suite of offices containing approximately 4,216 square feet of building space, and comprising of rooms on the first and second floors of the building known as The Greater Mill Creek, Inc., located at 496 Glenwood Avenue, Youngstown, Ohio. The Center agreed to pay the sum of $6,153.19 of rent due on the first day of each month for fiscal year 2014. Total rental costs were $73,838 for the fiscal year ended June 30, 2014.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The Center 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. As of June 30, 2014, the Center contracted with The Netherlands Insurance Company for general liability insurance with a $1,000,000 each occurrence limit, and a $2,000,000 annual aggregate. The Center also contracted with The Netherlands Insurance Company for personal property coverage with a limit of $250,000, and for commercial auto coverage with comprehensive coverage limits of $50,000 for repairs and liability limits of $1,000,000 for any one accident or loss. The Center has violent event response coverage with limits of $1,000,000 for each violent event expense and loss and $1,000,000 aggregate limit. The Center has coverage for public employee dishonesty with a $500 deductible and a limit of $10,000. The Center also has school leaders' errors and omissions liability coverage with limits of $1,000,000 for each wrongful act, $1,000,000 aggregate limit, and $100,000 aggregate defense expense amount. Settled claims have not exceeded this coverage in any of the past three fiscal years, and there has been no significant reduction in coverage from the prior fiscal year.

B. Workers' Compensation

The Center pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross salary by a predetermined factor specific to the Center.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Center 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 Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 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 14 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 Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were $28,177, $34,101 and $29,389, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Center 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.

NOTE 10 - PENSION PLANS - (Continued)

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 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Center 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were $51,827, $53,389 and $50,979, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were $4,329 made by the Center and $3,401 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Center 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 monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 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"*.

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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 2014, 0.14 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 2014, the actuarially determined amount was $20,250.

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 Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were $747, $3,252 and $3,626, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were $1,635, $1,926 and $1,736, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Center 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were $3,987, $4,107 and $3,921, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 12 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 13 - SERVICE AGREEMENT

The Center is obligated under contractual agreement with the Sponsor to pay the following fees:

Sponsor fees
The Center is required to pay the Sponsor three percent (3%) of the per-pupil allocation paid to the Center from the State of Ohio for various oversight and monitoring services. For the fiscal year ended June 30, 2014, the Center paid the Sponsor $22,557 in sponsor fees.

Management fees
The Center is required to pay the Sponsor up to ten percent (10%) of funds paid to the Center by the State of Ohio as a management fee. In addition, the Center is required to pay the Sponsor 100% of the Center's fiscal year end cash balance above $50,000 for all funds paid to the Center by the State of Ohio after payment of Center expenses and amounts encumbered at fiscal year end. For the fiscal year ended June 30, 2014, the Center paid the Sponsor $75,190 in management fees.

NOTE 14 - RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2014, the Center had expenses of $99,355 paid to the Sponsor. This total includes the cash payments of $97,747 for sponsor and management fees (See Note 13).

NOTE 15 - FOUNDATION RECEIPTS

The Ohio Department of Education (ODE) has identified several community schools and/or science, technology, engineering, and mathematics (STEM) schools that made critical date errors between the June payments and the Final #1 payments. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not available, but ODE believes this will result in a receivable to the schools affected.

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

Mahoning Valley Opportunity Center
Mahoning County
496 Glenwood Avenue
Youngstown, Ohio 44502

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 Valley Opportunity Center, Mahoning County, (the Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 14, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center'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 Center'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 Center'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 Center'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 Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

April 14, 2015

MAHONING VALLEY OPPORTUNITY CENTER

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
MAY 7, 2015