



Dave Yost • Auditor of State

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mahoning County High School
Mahoning County
100 DeBartolo Place, Suite 220
Youngstown, Ohio 44512

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Mahoning County High School, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2013, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mahoning County High School, Mahoning County, Ohio, as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

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 June 26, 2014, 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

June 26, 2014

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The management's discussion and analysis of Mahoning County High School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- In total, net position was \$40,946, which represents a \$179,301 decrease from 2012.
- The School had operating revenues of \$866,396 and operating expenses of \$1,174,794 for fiscal year 2013. The School also received \$129,009 in federal and state grants and \$88 in interest income during fiscal year 2013.

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's Financial Activities

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

These documents look at all financial transactions and asks the question, How did we do financially during 2013? The statement of net position and 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 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 7 and 8 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 9 of this report.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The table below provides a summary of the School's net position for fiscal years 2013 and 2012.

	Net Position	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 85,438	\$ 346,231
Capital assets, net	<u>13,453</u>	<u>21,091</u>
Total assets	<u>98,891</u>	<u>367,322</u>
<u>Liabilities</u>		
Current liabilities	<u>57,945</u>	<u>147,075</u>
Total liabilities	<u>57,945</u>	<u>147,075</u>
<u>Net position</u>		
Investment in capital assets	13,453	21,091
Restricted	7,685	30,904
Unrestricted	<u>19,808</u>	<u>168,252</u>
Total net position	<u>\$ 40,946</u>	<u>\$ 220,247</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net position was \$40,946.

At year-end, capital assets represented 13.60% and 5.74% of total assets for fiscal years 2013 and 2012, respectively. 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.

A portion of the School's net position, \$7,685, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$19,808 may be used to meet the School's ongoing obligations to the students and creditors.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2013 and 2012.

Change in Net Position

	<u>2013</u>	<u>2012</u>
<u>Operating revenues:</u>		
State foundation	\$ 865,473	\$ 743,977
Other operating revenues	<u>923</u>	<u>765</u>
Total operating revenue	<u>866,396</u>	<u>744,742</u>
<u>Operating expenses:</u>		
Personal services	49,286	27,427
Purchased services	1,023,029	845,695
Materials and supplies	34,191	37,011
Other	60,650	62,886
Depreciation	<u>7,638</u>	<u>8,598</u>
Total operating expenses	<u>1,174,794</u>	<u>981,617</u>
<u>Non-operating revenues:</u>		
Federal and state grants	129,009	161,525
Interest income	<u>88</u>	<u>281</u>
Total non-operating revenues	<u>129,097</u>	<u>161,806</u>
Change in net position	(179,301)	(75,069)
Net position at beginning of year	<u>220,247</u>	<u>295,316</u>
Net position at end of year	<u>\$ 40,946</u>	<u>\$ 220,247</u>

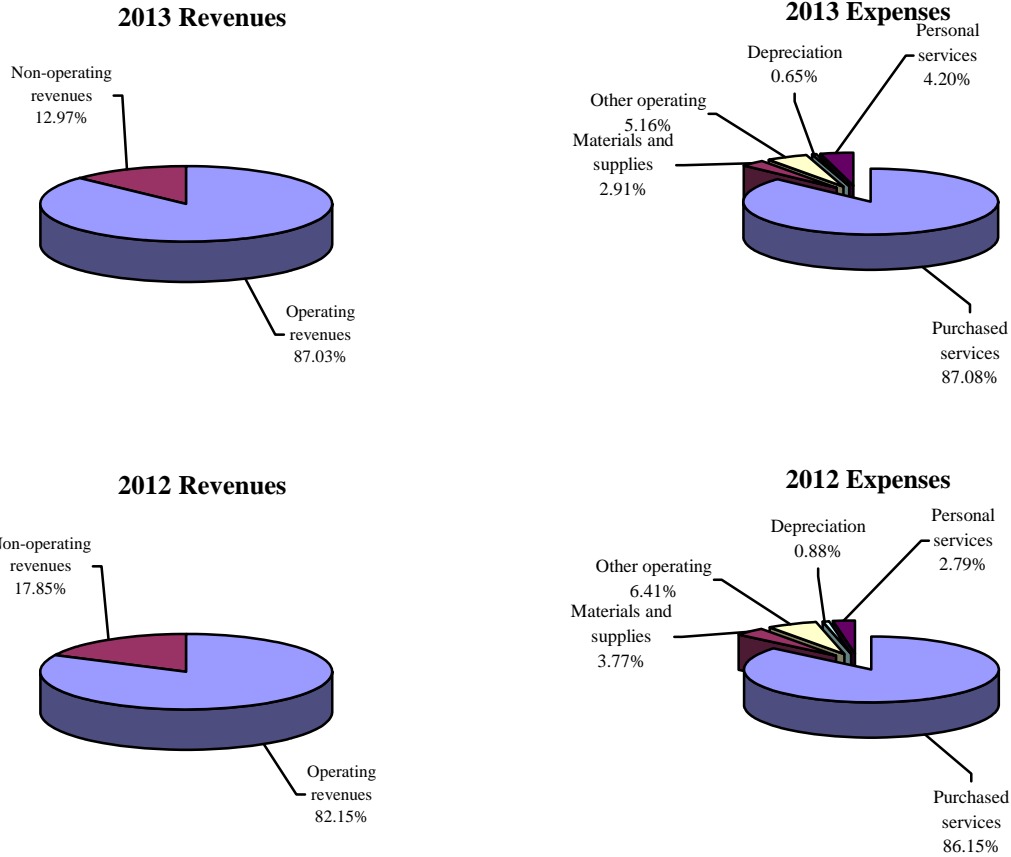
The School experienced slight growth in enrollment which led in an increase in revenues. The School's primary source of revenue is foundation payments from the State of Ohio, which accounted for 86.94% of total revenues in 2013. The School continues to supplement its State foundation revenues by applying for federal and state grants whenever possible.

Expenses once again exceeded revenues and the School experienced a decrease in net position for the second consecutive year. 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 2013 totaled \$739,711.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The charts below illustrate the revenues and expenses for the School during fiscal years 2013 and 2012.



Capital Assets

At June 30, 2013, the School had \$13,453 invested in furniture and equipment, net of accumulated depreciation. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The School relies on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the school. The School has committed itself to providing educational opportunities to students. Management 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 Mr. Blaise Karlovic, Treasurer, Mahoning County High School, 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512-7019.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash and cash equivalents	\$ 77,775
Receivables:	
Intergovernmental.	6,802
Prepayments	<u>861</u>
Total current assets.	<u>85,438</u>
Non-current assets:	
Depreciable capital assets, net	<u>13,453</u>
Total assets	<u>98,891</u>
 Liabilities:	
Current liabilities:	
Accounts payable	2,743
Intergovernmental payable	<u>55,202</u>
Total liabilities	<u>57,945</u>
 Net position:	
Investment in capital assets.	13,453
Restricted for:	
State programs.	5,926
Federal programs	1,519
Restricted for other purposes	240
Unrestricted.	<u>19,808</u>
Total net position.	<u><u>\$ 40,946</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
State foundation	\$ 865,473
Other operating revenues.	923
Total operating revenues.	<u>866,396</u>
 Operating expenses:	
Personal services	49,286
Purchased services.	1,023,029
Materials and supplies	34,191
Other operating expenses.	60,650
Depreciation	7,638
Total operating expenses	<u>1,174,794</u>
 Operating loss.	 <u>(308,398)</u>
 Non-operating revenues:	
Federal and state grants.	129,009
Interest income	88
Total nonoperating revenues (expenses).	<u>129,097</u>
 Change in net position.	 (179,301)
 Net position at beginning of year	 <u>220,247</u>
Net position at end of year	<u>\$ 40,946</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from State foundation.	\$ 848,746
Cash received from other operations	923
Cash payments for personal services	(49,286)
Cash payments to suppliers for goods and services.	(1,084,660)
Cash payments for materials and supplies	(39,967)
Cash payments for other expenses	(65,649)
	<u>(389,893)</u>
 Cash flows from noncapital financing activities:	
Cash received from federal and state grants.	184,793
	<u>184,793</u>
 Cash flows from investing activities:	
Interest received.	88
	<u>88</u>
Net cash provided by investing activities	88
Net decrease in cash and cash equivalents	(205,012)
Cash and cash equivalents at beginning of year.	282,787
Cash and cash equivalents at end of year	<u>\$ 77,775</u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (308,398)
Adjustments:	
Depreciation	7,638
Changes in assets and liabilities:	
Increase in prepayments	(3)
Decrease in accounts payable	(14,465)
Decrease in intergovernmental payable	(74,665)
	<u>(74,665)</u>
Net cash used in operating activities.	<u>\$ (389,893)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL

Mahoning County High School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objective is to meet the individual learning needs of at-risk students and/or students who are likely to drop out. The School targets students at risk of severe academic failure, primarily as a result of legal proceedings in the Mahoning County Juvenile Justice system. 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 five person Board of Directors. The Board of Directors shall be responsible for helping create, approve, and monitor the annual budget of the School, developing policies to guide the operation of the School, secure funding for the School, and maintaining a commitment to the vision, mission and belief statements of the School and the children it serves. The Treasurer of the Mahoning County Educational Service Center (the "Mahoning County ESC") acts as fiscal officer for the School.

The Mahoning County ESC sponsored the School during fiscal year 2013 (See Note 7.A). The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services contract with the School, provides internet, e-mail and other services to the School (See Note 7.B). 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 97 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 COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

All funds of the School are maintained in demand depository accounts. These depository accounts are presented on the statement of net position 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 five to 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 adopted by the School 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 is available.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. 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 remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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.

NOTE 3 - DEPOSITS

At June 30, 2013, the carrying amount of all School deposits was \$77,775. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, all of the School's bank balance of \$84,658 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
Furniture and equipment	\$ 45,736	\$ -	\$ -	\$ 45,736
Less: accumulated depreciation	<u>(24,645)</u>	<u>(7,638)</u>	<u>-</u>	<u>(32,283)</u>
Capital assets, net	<u>\$ 21,091</u>	<u>\$ (7,638)</u>	<u>\$ -</u>	<u>\$ 13,453</u>

NOTE 5 - 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 2013, the School contracted with Argonaut Insurance Company for general liability insurance with a \$1,000,000 limit for each occurrence and a \$2,000,000 annual aggregate limit. The School contracted with Argonaut Insurance Company for commercial property insurance with a coverage limit of \$27,319, subject to a \$1,000 deductible.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2013, purchased service expenses were as follows:

Professional and technical services	\$ 918,683
Property services	11,224
Travel expenses	163
Communications	5,063
Utilities services	43,902
Contracted services	27,894
Pupil transportation services	<u>16,100</u>
Total	<u>\$ 1,023,029</u>

NOTE 7 - CONTRACTS

A. Mahoning County ESC

The School entered into a sponsorship contract with Mahoning County ESC (the "ESC") effective April 1, 2008. Under the terms of the agreement, the ESC shall carry out the responsibilities established by law, including the following:

- Monitor and evaluate the academic and fiscal performance and the organization and operation of the School on at least a semi-annual basis;
- Report on an annual basis the results of the evaluation conducted to the Department of Education and to the parents/guardians of students enrolled in the School.
- Provide technical assistance and monitor the School's compliance with all laws applicable to the School and with the terms of the contract.
- Take steps to intervene in the School's operation to correct problems in the School's overall performance, declare the School to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the ESC;
- Establish a plan of action to be undertaken if the School experiences financial difficulties or closes before the end of the school year;
- Act as fiscal agent of the School and provide the services of a qualified individual who shall, as an employee or contractor of the ESC, serve as the School's fiscal officer; and
- Support the School's establishment and operation, as determined to be appropriate by the ESC in the ESC's sole discretion.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 7 - CONTRACTS - (Continued)

The School also entered into a service agreement with the ESC, valid for one year that commenced on September 1, 2009 and thereafter shall be automatically renewed for successive one year terms until the agreement is terminated. This contract outlined the services that would be provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the ESC for the period July 1, 2012 through June 30, 2013, were as follows:

Instructional	\$ 361,599
Student and staff support	38,388
Administrative	250,050
Fiscal	<u>89,674</u>
Total	<u>\$ 739,711</u>

B. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2012 and ending June 30, 2013, 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 \$2,478 for services during the contract period.

NOTE 8 - OPERATING LEASE

The School entered into a lease agreement on November 17, 2008, with the Youngstown City School District (the "District") to lease land and a building for the School. The lease shall continue through June 30, 2014, unless sooner terminated by either party upon giving at least sixty days written notice. The School shall pay the District one dollar for the term.

Except for natural gas, as described below, the School shall pay for the entire cost of utilities and services including telephone, electricity, refuse collection, snow removal, water and sewage, and the security system.

The cost and delivery of natural gas which is above \$1,000 per month for the months of November through April during the term of the lease shall be paid by the District. The District's liability for natural gas usage and delivery to the building shall not exceed \$6,000 per school year.

The District shall pay the first \$2,000 for each occurrence of an item of maintenance or repair of any nature. For each maintenance or repair item that exceeds \$2,000, the District shall pay two-thirds of the excess and the School shall pay the remaining one-third. However, if any item of maintenance or repair is estimated to cost more than \$5,000, the District may determine that the maintenance or repair shall not be made, and the District may instead terminate the lease upon sixty days written notice.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

C. State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The School does not anticipate any significant adjustments to state funding for the fiscal year ended June 30, 2013 as a result of the reviews which have yet to be completed.

NOTE 10 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2013, the School has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

**MAHONING COUNTY HIGH SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the School.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 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 County High School
Mahoning County
100 DeBartolo Place, Suite 220
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 County High School, Mahoning County, (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated June 26, 2014, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

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

June 26, 2014



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Mahoning County High School
Mahoning County
100 DeBartolo Place, Suite 220
Youngstown, Ohio 44512

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Mahoning County High School (the "School") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 26, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

June 26, 2014

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Dave Yost • Auditor of State

MAHONING COUNTY HIGH 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
AUGUST 12, 2014**