THE MOLLIE KESSLER SCHOOL
MAHONING COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2014

Dave Yost • Auditor of State

THE MOLLIE KESSLER SCHOOL
MAHONING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By *Government Auditing Standards*	23

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INDEPENDENT AUDITOR'S REPORT

The Mollie Kessler School
Mahoning County
118 East Wood Street
Youngstown, Ohio 44503

To the Governing Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Emphasis of a Matter

As discussed in Note 14 to the basic financial statements, the School ceased operations on June 30, 2014 based on a vote from their Governing Board and approval by their sponsor. 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 November 25, 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

Dave Yost
Auditor of State
Columbus, Ohio

November 25, 2014

This discussion and analysis of The Mollie Kessler School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the 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 2014 are as follows:

- The School uses a single enterprise fund to report its financial activity. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

- Net position decreased in fiscal year 2014 due to the School discontinuing operations and closing as of the end of the business-day, June 30, 2014. All physical assets were either sold or donated.

- A negative special item of $168,878 representing costs directly related to the closing of the School is presented. Any cash balances remaining after the collection of all receivables and the payment of all liabilities will be returned to the Ohio Department of Education (ODE). ODE will then distribute this balance among the public school districts that had students enrolled in the School. This payment to ODE is included in the special item. This special item also includes State and Federal grants returned to the grantor and capital assets sold or disposed of through the community school closure process as set by ODE.

Using this Annual Financial Report

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. Entity-wide information is not presented separately since the School only uses one fund to account for its operations.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially in fiscal year 2014?" These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. The School finished fiscal year 2014 with net position totaling $0.

Table 1 provides a summary of the School's net position for fiscal years 2014 compared to 2013:

(Table 1)
Net Position

	2014	2013	Change
Assets			
Current and Other Assets	$64,815	$222,170	($157,355)
Capital Assets, Net	0	116,398	(116,398)
Total Assets	64,815	338,568	(273,753)
Liabilities			
Accounts Payable	577	38,376	37,799
Accrued Wages	0	63,431	63,431
Intergovernmental Payable	64,238	20,418	(43,820)
Total Liabilities	64,815	122,225	57,410
Net Position			
Net Investment in Capital Assets	0	116,398	(116,398)
Unrestricted	0	99,945	(99,945)
Total Net Position	$0	$216,343	($216,343)

Total assets decreased during fiscal year 2014. This decrease can be directly attributed to the closing of the School and the subsequent selling or donating of all reported capital assets.

Total liabilities decreased during fiscal year 2014. This decrease can again be attributed to the closing of the School resulting in the liabilities being reduced from the discontinued operations. The primary remaining liabilities relate to monies that will be required to be paid back through the closing process.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 as well as revenue and expense comparisons to the previous fiscal year.

(Table 2)
Changes in Net Position

	2014	2013	Change
Operating Revenues			
Foundation Payments	$779,438	$668,372	$111,066
Charges for Services	13,249	14,047	(798)
Other	22,992	11,938	11,054
Total Operating Revenues	$815,679	$694,357	$121,322

(Table 2)
Changes in Net Position (continued)

	2014	2013	Change
Non-Operating Revenues			
Operating Grants	$118,391	$153,463	($35,072)
Interest	13	49	(36)
Total Non-Operating Revenues	118,404	153,512	(35,108)
Total Revenues	934,083	847,869	86,214
Operating Expenses			
Salaries	530,413	418,185	(112,228)
Fringe Benefits	176,191	138,520	(37,671)
Purchased Services	218,475	200,214	(18,261)
Materials and Supplies	23,182	28,103	4,921
Depreciation	4,601	4,623	22
Other	28,686	23,506	(5,180)
Total Operating Expenses	981,548	813,151	(168,397)
Non-Operating Expenses			
Loss on Disposal of Capital Assets	0	546	546
Total Expenses	981,548	813,697	(167,851)
Special Item	(168,878)	0	(168,878)
Change in Net Position	(216,343)	34,172	(250,515)
Net Position Beginning of Year	216,343	182,171	34,172
Net Position End of Year	$0	$216,343	($216,343)

The School saw an increase in total revenues in fiscal year 2014, attributed to an increase in foundation received from the Ohio Department of Education. The increase was partially offset from a reduction in operating grants related to the fact that the School was going to close at the end of the fiscal year. This caused a reduced need to provide funding for the School moving forward.

Salaries increased during the fiscal year due to increases in salaries, professional and technical services as well as the payout of accrued wages before fiscal year-end. Fringe benefits increased during the fiscal year, due to increases in health care premiums. Purchased services increased from payments made in association with the closing of the School.

Also, due to the closure, several capital assets were sold or donated during the fiscal year which is part of the community school closure process set by ODE. The sale and donation of these capital assets resulted in a loss which is included in the special item loss in the amount of $168,878. All capital assets were required to be sold, donated to another school or disposed of.

Capital Assets

(Table 3)
Capital Assets at June 30, 2013 (Net of Depreciation)

	2014	2013	Change
Buildings and Improvements	$0	$112,274	($112,274)
Furniture, Fixtures and Equipment	0	4,124	(4,124)
Total	$0	$116,398	($116,398)

The decrease in capital assets during the fiscal year was due to the discontinued operations of the School. All reported capital assets were either sold or donated at the conclusion of the fiscal year.

For more information on the School's capital assets, see Note 5 of the basic financial statements.

Debt

The School had no outstanding debt at June 30, 2014.

School Outlook

For the past several years, the Mollie Kessler School has been in School Improvement and has been designated a Priority School because of the past Academic Emergency designation on the Ohio School Report Card due to our small testing population comprised of 100 percent learning disabled students. The staff and the Board of Directors followed the guidelines and requests of the Ohio Department of Education, Office of School Turnaround and the Non-SIG Funded Race to the Top model, the Ohio Improvement Process and the recommendations of our sponsor, Buckeye Community Hope Foundation. The 2013-2014 School Report Card continues to show slow growth in the Value-Added categories of "Lowest 20 percent in Achievement" and "Students with Disabilities." Both categories received a letter grade of "C," while the Overall Value-Added Progress received a letter grade of "F."

The Mollie Kessler School Board of Directors recognized that "School Closure" was one of the options presented in the Priority Schools Intervention Models. They felt that the demands of the Priority Schools Turnaround effort interfered with the School's mission and ability to service our special needs students.

Therefore, on October 10, 2013, the Board determined to close the School as of June 30, 2014.

Contacting the School's Financial Management

This financial report is designed to provide our community with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Leslie A. Brown, Treasurer at The Mollie Kessler School, 118 East Wood Street, Youngstown, OH 44503. The Treasurer may also be contacted by phone at (330) 746-3095 or by email at LeslieBrown@MollieKesslerSchool.org.

The Mollie Kessler School

Statement of Net Position

June 30, 2014

Assets	
Current Assets:	
Cash and Cash Equivalents	$60,446
Accounts Receivable	2,093
Intergovernmental Receivable	2,276
Total Assets	64,815
Liabilities	
Accounts Payable	577
Intergovernmental Payable	64,238
Total Liabilities	64,815
Net Position	$0

See accompanying notes to the basic financial statements

The Mollie Kessler School

Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014

Operating Revenues	
Foundation Payments	$779,438
Charges for Services	13,249
Other	22,992
Total Operating Revenues	815,679
Operating Expenses	
Salaries	530,413
Fringe Benefits	176,191
Purchased Services	218,475
Materials and Supplies	23,182
Depreciation	4,601
Other	28,686
Total Operating Expenses	981,548
Operating Income (Loss)	(165,869)
Non-Operating Revenues (Expenses)	
Operating Grants	118,391
Interest	13
Total Non-Operating Revenues (Expenses)	118,404
Income (Loss) Before Special Item	(47,465)
Special Item	(168,878)
Change in Net Position	(216,343)
Net Position Beginning of Year	216,343
Net Position End of Year	$0

See accompanying notes to the financial statements

The Mollie Kessler School

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$779,438
Cash Received from Customers	13,249
Cash Received from Other Operating Sources	20,899
Cash Payments to Suppliers for Goods and Services	(277,755)
Cash Payments to Employees for Services	(593,844)
Cash Payments for Employee Benefits	(184,347)
Cash Payments for Other Operating Expenses	(28,587)
Net Cash Provided by (Used for) Operating Activities	(270,947)
Cash Flows from Noncapital Financing Activities	
Cash Received from Operating Grants	168,254
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	2,700
Payments for Capital Acquisitions	(999)
Net Cash Provided by (Used for) Capital and Related Financing Activities	1,701
Cash Flows from Investing Activities	
Interest on Investments	13
Net Increase (Decrease) in Cash and Cash Equivalents	(100,979)
Cash and Cash Equivalents Beginning of Year	161,425
Cash and Cash Equivalents End of Year	$60,446

(continued)

The Mollie Kessler School

Statement of Cash Flows (continued)

For the Fiscal Year Ended June 30, 2014

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

Operating Income (Loss)	($165,869)
Adjustments:	
Depreciation	4,601
(Increase)/Decrease in Assets:	
Accounts Receivable	(2,093)
Prepaid Assets	8,606
Increase/(Decrease) in Liabilities:	
Accounts Payable	(37,799)
Accrued Wages and Benefits	(63,431)
Intergovernmental Payable	(14,962)
Total Adjustments	(105,078)
Net Cash Provided by (Used for) Operating Activities	($270,947)

See accompanying notes to the financial statements

Note 1 - Description of the School and Reporting Entity

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

The creation of the School was initially proposed to the Ohio Department of Education by employees of the ACLD (Association for Children with Learning Disabilities) Learning Center and other members of the community on December 12, 2001. The Ohio Department of Education approved the proposal and entered into a contract with The Mollie Kessler School, which provided for the commencement of School operations on September 9, 2002. In 2005, the Buckeye Community Hope Foundation became the School's sponsor. On October 10, 2013, the Board determined to close the School at the conclusion of the business day ending June 30, 2014.

The School operated under a six-member Board of Directors. New members were appointed by the Mollie Kessler School Board of Directors. The Board was responsible for carrying out the provisions of the contract which included, but was not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards and qualifications of teachers. The Board of Directors controlled the School's one instructional/support facility staffed by three non-certified personnel, seven certificated full time teaching personnel, one part-time principal, one superintendent and one full time treasurer who provided services to sixty-four students.

These financial statements present only the financial activity and balances of The Mollie Kessler School.

The School participated in one jointly governed organization, the Area Cooperative Computerized Educational Service System Council of Governments. This organization is presented in Note 11 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The School used fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The operations of the School are reported as a single enterprise fund.

An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School 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 net total position. The Statement of Cash Flows provides information about how the School finances and meets its cash flow needs.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on 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 resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements including 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 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. Expenses are recognized at the time they are incurred.

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 required a first year spending plan and a five year estimated budget. A regular review of the budget is also performed and updated during the school year as circumstances change and actual figures become available.

Cash and Cash Equivalents

During fiscal year 2014, investments were limited to STAR Ohio. Investments are reported at fair value which is based on quoted market prices. The School's STAR Ohio account was closed out in May of 2014 with the pending closure of the School.

Investments with an original maturity of three months or less at the time they are purchased by the School are presented on the financial statements as cash equivalents.

Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of the building improvements is computed using the straight-line method over an estimated useful life of forty years. Depreciation of the furniture, fixtures and equipment is computed using the straight-line method over an estimated useful life of ten years.

Compensated Absences

Employees of the School receive no vacation days.

Each employee of the School was granted sick days by the administration based on need. The Administrator may have brought excessive leave required by an employee to the Board for consideration.

Net Position

Net position represents the difference between all other elements in a statement of financial position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the School, these revenues include certain intergovernmental revenues, charges for services and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses which do not meet these definitions are reported as nonoperating.

Intergovernmental Revenues

The School participated in the State Foundation Program along with the Title I and School Improvement, the Special Education and Improving Teacher Quality programs during the year. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the School must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the School on a reimbursement basis.

The 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.

Estimates

The presentation of the financial statements in conformity with generally accepted accounting principles 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.

Federal Tax Exempt Status

On September 5, 2002, the School was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3) and was exempt from federal income taxes. Management was not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School or the Sponsor and that are either unusual in nature or infrequent in occurrence. For fiscal year 2014, the School is reporting a special item representing costs directly related to the closing of the School. See Note 14 for further information.

Note 3 - Operating Lease

The Mollie Kessler School leased the building in which it operates from the ACLD School and Learning Center. The School entered into a lease for this space for a period of September 1, 2013, through June 30, 2014. The Mollie Kessler School was obligated to pay $3,167 and $4,000, respectively, on the first day of each month for July/August and September through June.

Note 4 - Investments

Unlike other public schools located in the State of Ohio, community schools are not required to follow investment provisions set forth in Ohio Revised Code Chapter 135, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor did not prescribe an investment process for the School.

Note 5 - Capital Assets

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

	Balance 6/30/13	Additions	Items Sold	Closure Deletions	Balance 6/30/14
Capital assets being depreciated					
Building improvements	$149,700	$0	$0	($149,700)	$0
Furniture, fixtures and equipment	33,727	999	(7,290)	(27,436)	0
Total capital assets being depreciated	183,427	999	(7,290)	(177,136)	0
Accumulated depreciation					
Building improvements	(37,426)	(3,743)	0	41,169	0
Furniture, fixtures and equipment	(29,603)	(858)	3,851	26,610	0
Total accumulated depreciation	(67,029)	(4,601)	3,851	67,779	0
Capital assets being depreciated, net	$116,398	($3,602)	($3,439)	($109,357)	$0

Note 6 - Receivables

Receivables at June 30, 2014, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
School Improvement Title I Grant	$1,200
School Employees Retirement System	1,076
Total	$2,276

Note 7 - Risk Management

Property and Liability

The School was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2014, the School contracted with USI Midwest Inc. for general and professional liability insurance with a $1,000,000 each occurrence limit, $1,000,000 annual aggregate with a $500 deductible and for business personal property with a limit of $25,000 and a deductible of $500. No claims have been made by the School as of June 30, 2014.

Worker's Compensation

The School paid the State Worker's Compensation System a premium for employee injury coverage. The premium was calculated by multiplying the monthly total gross payroll times the contribution rate established by Worker's Compensation for the School.

Employee Benefits

The School contracted with the Anthem Blue Cross Blue Shield to provide employee health, dental and life benefits. The School paid 100 percent of the monthly premium for single coverage but had no family plan. For fiscal year 2014, the School's premiums were $467.75 for single coverage. An employee could have added a spouse as a dependent, but the employee paid the entire additional premium.

Note 8 - Pension Plans

School Employee Retirement System

Plan Description – The School participated in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were $24,579, $19,842 and $20,952, respectively. For fiscal year 2014, 98.96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

Plan Description – The School participated in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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 Web site at www.strsoh.org.

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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were $44,300 and $822 for the fiscal year ended June 30, 2014, $34,882 and $1,114 for the fiscal year ended June 30, 2013, and $32,343 and $0 for the fiscal year ended June 30, 2012. For fiscal year 2014, 96.03 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were $5,751 made by the School and $4,519 made by the plan members. In addition, member contributions of $646 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Note 9 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School participated in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was $20,250. During fiscal year 2014, the School paid $546 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were $809, $1,825 and $3,402, respectively. For fiscal year 2014, 98.96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 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 School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were $1,426, $1,121 and $1,237, respectively. For fiscal year 2014, 98.96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The School participated in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were $4,062, $2,683 and $2,488, respectively. For fiscal year 2014, 96.03 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 10 – Other Employee Benefits

Paid sick days were granted by the administration based on need. Sick days did not accumulate. The Mollie Kessler School did not provide for the cost of substitutes for staff who take days off work for personal reasons. The cost of the substitute was deducted from the staff member's salary.

Vacation days outside of school holidays were provided for year round staff members during the summer, depending on length of service. Vacation days did not accumulate into the next school year. Vacation pay did not accumulate and was not payable upon termination of employment.

Note 11 - Jointly Governed Organization

The Area Cooperative Computerized Educational Service System Council of Governments (ACCESS) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge, which was $595 annually for fiscal year 2014 as well as other service fees of $1,052 annually. Ninety percent of the per-pupil charges were paid for through the USAC Schools and Libraries (E-Rate) Program discount. The Mollie Kessler School paid $1,646 to ACCESS during fiscal year 2014.

ACCESS is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 220, Youngstown, Ohio 44512-7019.

Note 12 - Contingencies

Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

As of June 30, 2014, the School was not party to any legal proceedings.

Note 13 – Purchased Services

For the period of July 1, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$164,802
Rent	45,306
Pupil Transportation	4,400
Advertising	1,636
Postage	1,202
Internet	595
Travel and Meeting Expenses	534
Total	$218,475

Note 14 – Special Item – Closure of Mollie Kessler School

On October 10, 2013, the Mollie Kessler School Board determined to close the School as of June 30, 2014. They felt that the demands of the Priority Schools Turnaround effort interfered with the School's mission and ability to service our special needs students. This decision ended the one year Community School contract with Buckeye Community Hope Foundation effective at the end of the current contract period, June 30, 2014. All of the parents of Mollie Kessler School students were informed of this decision in October 2013 and plans were made to transition the students into other appropriate school settings.

The School is reporting a special item representing costs directly related to the closure. This amount includes the remaining cash balances which will be returned to the Ohio Department of Education (ODE) after the collection of all receivables and the payment of all liabilities according to ODE closing procedures. ODE will allocate the remaining balance among all public schools with students enrolled in the School. This amount is included in the intergovernmental payable on the Statement of Net Position. Also, due to the closure, unspent State and Federal grant money will be returned to the grantor. Capital assets no longer being used were sold, donated or disposed of in accordance with the community school closure process set by ODE. A summary of principal items included as a special item on the Statement of Revenues, Expenses and Changes in Net Position follows:

	Amounts
Loss on Disposal of Capital Assets	$110,096
Money Returned to ODE	54,656
Estimated State and Federal Grant Money	3,062
Estimated Outstanding Costs Associated with Closing the School	1,064
Total Special Item	$168,878

Note 15 – Change in Accounting Principle

For fiscal year 2014, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 69, "Government Combinations and Disposals of Government Operation." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions and transfers of operations. The implementation of this statement did not result in any change to net position as previously stated but is incorporated in the accompanying financial statements as it relates to the closing of the School.

Note 16 – Related Parties

During fiscal year 2014, the School entered in to an operating lease agreement with the ACLD School and Learning Center for which the sister of the School's Treasurer, Erica Brown-Fire, is the Director of. The School paid $45,306 in rent to the ACLD School and Learning Center during the fiscal year. In addition, the School entered in to a consultation contract with Erica Brown-Fire during fiscal year 2014 for Psycho-Educational consultation services including staff training, parent support, pre-enrollment interviews and orientation, participation in parent meetings, truancy services, counseling and transition support for outgoing students. The School paid $12,500 to Ms. Brown-Fire for these services during the fiscal year.

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

The Mollie Kessler School
Mahoning County
118 East Wood Street
Youngstown, Ohio 44503

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 The Mollie Kessler School, Mahoning County, (the "School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 25, 2014, wherein we noted the School ceased operations June 30, 2014.

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.

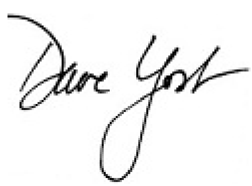
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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



Dave Yost
Auditor of State
Columbus, Ohio

November 25, 2014

THE MOLLIE KESSLER 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
DECEMBER 23, 2014