MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost • Auditor of State

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the Mahoning Valley Opportunity Center, Mahoning County, Ohio (the "Center"), as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mahoning Valley Opportunity Center, Mahoning County, Ohio, as of June 30, 3011, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Phone: 330-797-9900 or 800-443-9271 Fax: 330-797-9949
www.auditor.state.oh.us

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

Dave Yost
Auditor of State

March 7, 2012

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The Management's Discussion and Analysis of the Mahoning Valley Opportunity Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets were $550,379 at June 30, 2011.

- The Center had operating revenues of $773,286, operating expenses of $1,072,750 and non-operating revenues of $128,064 for the fiscal year ended June 30, 2011. The total change in net assets for the fiscal year was a decrease of $171,400.

Using these Basic Financial Statements

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

Reporting the Center's Financial Activities

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

These statements look at all financial transactions and ask the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 11-20 of this report.

The table below provides a summary of the Center's net assets at June 30, 2011 and June 30, 2010.

Net Assets

	June 30, 2011	June 30, 2010
Assets		
Current assets	$ 450,275	$ 576,362
Capital assets, net	138,813	164,576
Total assets	589,088	740,938
Liabilities		
Current liabilities	38,709	19,159
Total liabilities	38,709	19,159
Net Assets		
Invested in capital assets	138,813	164,576
Restricted	54,462	71,097
Unrestricted	357,104	486,106
Total net assets	$ 550,379	$ 721,779

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Center's net assets were $550,379.

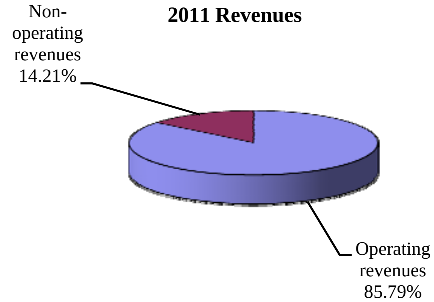
At year-end, capital assets, net of accumulated depreciation, represented 23.56% of total assets. Capital assets consisted of furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending. The amount invested in capital assets at June 30, 2011 was $138,813. The Center also had net assets at June 30, 2011 in the amount of $54,462 that were restricted in use. The remaining balance of unrestricted net assets of $357,104 may be used to meet the Center's ongoing obligations.

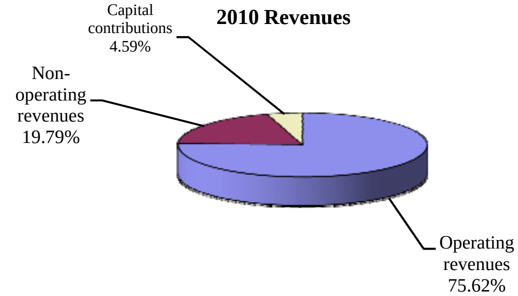
The table below shows the changes in net assets for fiscal years 2011 and 2010.

Change in Net Assets

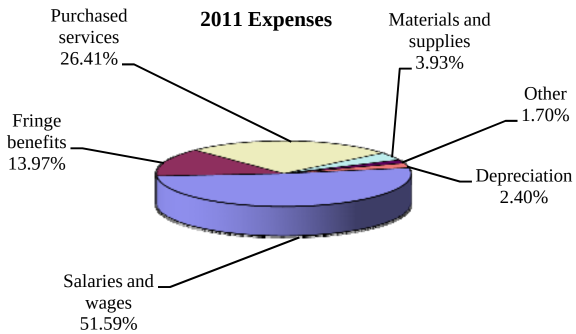
	June 30, 2011	June 30, 2010
Operating Revenues:		
State foundation	$ 773,286	$ 969,151
Total operating revenue	773,286	969,151
Operating Expenses:		
Salaries and wages	553,339	558,674
Fringe benefits	149,889	100,505
Purchased services	283,330	217,408
Materials and supplies	42,187	57,011
Depreciation	25,763	22,495
Other	18,242	28,566
Total operating expenses	1,072,750	984,659
Non-operating Revenues:		
Federal and State grants	127,624	252,986
Interest revenue	440	604
Total non-operating revenues	128,064	253,590
Net income (loss) before capital contributions	(171,400)	238,082
Capital contributions	-	58,826
Change in net assets	(171,400)	296,908
Net assets at the beginning of the year	721,779	424,871
Net assets at the end of the year	$ 550,379	$ 721,779

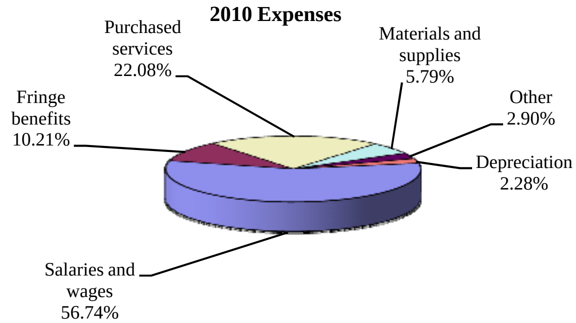
The chart below illustrates the revenues for the Center during the fiscal years ended June 30, 2011 and June 30, 2010:





The chart below illustrates the expenses for the Center during the fiscal years ended June 30, 2011 and June 30, 2010:





Capital Assets

At June 30, 2011, the Center had $138,813 invested in furniture and computer equipment. See Note 6 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

Contacting the Center's Financial Management

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

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:		
Current assets:		
Cash and cash equivalents	$	395,300
Receivables:		
Intergovernmental		54,040
Prepayments		935
Total current assets		450,275
Non-current assets:		
Capital assets, net		138,813
Total assets		589,088
Liabilities:		
Current:		
Accrued wages and benefits		20,608
Compensated absences payable		3,901
Intergovernmental payable		3,008
Pension obligation payable		11,192
Total liabilities		38,709
Net assets:		
Invested in capital assets		138,813
Restricted for State funded programs		4,519
Restricted for federally funded programs		49,943
Unrestricted		357,104
Total net assets	$	550,379

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenues:	
State foundation	$ 773,286
Total operating revenues	773,286
Operating expenses:	
Salaries and wages	553,339
Fringe benefits	149,889
Purchased services	283,330
Materials and supplies	42,187
Depreciation	25,763
Other	18,242
Total operating expenses	1,072,750
Operating loss	(299,464)
Non-operating revenues:	
Federal and State grants	127,624
Interest revenue	440
Total non-operating revenues	128,064
Change in net assets	(171,400)
Net assets at beginning of year	721,779
Net assets at end of year	$ 550,379

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING VALLEY OPPORTUNITY CENTER
MAHONING COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from State foundation	$ 766,375
Cash payments for personal services	(683,678)
Cash payments to suppliers for goods and services	(283,330)
Cash payments for materials and supplies	(42,187)
Cash payments for other expenses	(18,243)
Net cash used in operating activities	(261,063)
Cash flows from noncapital financing activities:	
Federal and State grants.	149,748
Net cash provided by noncapital financing activities.	149,748
Cash flows from investing activities:	
Interest received	440
Net cash provided by investing activities	440
Net decrease in cash and cash equivalents.	(110,875)
Cash and cash equivalents at beginning of year	506,175
Cash and cash equivalents at end of year	$ 395,300
Reconciliation of operating loss to net used in operating activities:	
Operating loss	$ (299,464)
Adjustments:	
Depreciation	25,763
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(6,911)
(Increase) in prepayments	(1)
Increase in accrued wages and benefits	12,589
(Decrease) in intergovernmental payable	(165)
Increase in pension obligation payable	7,126
Net cash used in operating activities	$ (261,063)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE CENTER

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

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

The Center was approved under contract with the Sponsor for a period of two years commencing January 13, 2007 through June 30, 2009. Thereafter, the Sponsor may renew the contract for additional one-year terms from July 1st to June 30th, not to exceed five years from the date of commencement, or June 30, 2011, whichever is sooner. After which, the Center must apply for an additional contract with the Sponsor. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at the expiration of any one-year term. The Sponsor elected to renew the contract for fiscal years 2011 and 2012.

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

The Center operates under the direction of a self-appointed five-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Center is staffed by nine certified full time teaching personnel and eight non-certified staff members who provide services to 122 students, which ranks the Center 821st out of the 918 public school districts and community schools in the State of Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Center's significant accounting policies are described below.

A. Basis of Presentation

The Center’s basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

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

B. Measurement Focus

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statements of Revenues, Expenses and Changes in Net Assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The Statement of Cash Flows provides information about how the Center finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

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

E. Cash

All monies received by the Center are deposited in a demand deposit account and recorded on the Statement of Net Assets as "cash and cash equivalents".

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Center maintains a capitalization threshold of $5,000. The Center does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment are depreciated over five to ten years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center had restricted net assets for State and federally funded programs at June 30, 2011.

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

H. Accrued Liabilities

The Center recognizes certain expenses due, but unpaid as of June 30, 2011. These expenses, which the Center does not have as of June 30, 2011, are to be reported as accrued liabilities in the accompanying financial statements.

I. Prepayments

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

J. Operating Revenues and Expenses

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

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

K. Intergovernmental Revenue

The Center currently participates in the State foundation program, the State of Ohio Educational Management Information System grant, the Federal Education Jobs program, the Federal Part B IDEA program, the Federal Title I program and various other State and federal grant programs. Revenues received from the State foundation program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2011 was $773,286 and revenues from all other grants and entitlements totaled $127,624.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate enrollment data to the State, upon which State foundation funding is calculated. The review identifies the amount of any overpayment or underpayment to the Center. This amount is reflected as an intergovernmental payable or receivable on the basic financial statements. As of June 30, 2011, the Center reported a $6,911 intergovernmental receivable related to an underpayment to the Center.

L. Estimates

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

M. Capital Contributions

Capital contributions arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During fiscal year 2011, the Center did not receive any capital contributions.

N. Tax Exemption Status

The Center is a community school established under Chapter 3314 of Ohio Revised Code and thus, in the opinion of legal counsel, is exempt from federal income taxes due to the Center's designation as a political subdivision, as defined by Ohio Revised Code §2744.01(F).

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2011, the Center has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Center.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Center.

NOTE 4 - DEPOSITS

At June 30, 2011, the carrying amount of the Center's deposits was $395,300. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, $192,162 of the Center's bank balance of $442,162 was exposed to custodial risk as discussed below while $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

NOTE 5 - PURCHASED SERVICES

For the period ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	$ 189,618
Property services	75,462
Communications	1,789
Travel and meetings	1,978
Tuition	3,173
Pupil transportation	11,310
Total	$ 283,330

NOTE 6 - CAPITAL ASSETS

A summary of the Center's capital assets at June 30, 2011 follows:

	Balance 07/01/10	Additions	Deletions	Balance 06/30/11
Capital assets:				
Capital assets, being depreciated:				
Furniture and equipment	$ 219,996	$ -	$ -	$ 219,996
Total capital assets, being depreciated	219,996	-	-	219,996
Less: accumulated depreciation:				
Furniture and equipment	(55,420)	(25,763)	-	(81,183)
Total accumulated depreciation	(55,420)	(25,763)	-	(81,183)
Capital assets, net	$ 164,576	$ (25,763)	$ -	$ 138,813

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of intergovernmental grants and entitlements, in the amount of $54,040. All receivables are considered collectible in full due to the stable condition of State and federal programs. All receivables are expected to be collected within one year.

NOTE 8 - BUILDING LEASE

The Center leases a suite of offices containing approximately 4,216 square feet of building space, and comprising rooms on the first floor and second floor of the building known as The Greater Mill Creek, Inc., located at 496 Glenwood Avenue, Youngstown, Ohio. The Center agreed to pay the sum of $5,233.33 of rent due on the first day of each month from July 1, 2008 through July 31, 2009. This amount was amended to $5,972.66 for the period August 1, 2009 through July 31, 2011. Total rental costs were $71,671.92 for the fiscal year ended June 30, 2011.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the Center contracted with The Netherlands Insurance Company for general liability insurance with a $1,000,000 each occurrence limit, and a $2,000,000 annual aggregate. The Center also contracted with The Netherlands Insurance Company for personal property coverage with a limit of $110,000 and for commercial auto coverage with comprehensive coverage limits of $50,000 for repairs and liability limits of $1,000,000 for any one accident or loss.

B. Workers' Compensation

The Center pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross salary by a factor of approximately one (1.00) percent.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *"Media/Financial Reports"*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were $21,750, $21,154 and $20,799, respectively; 82.42 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

NOTE 10 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were $45,479, $50,279 and $59,356, respectively; 97.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was $35,800.

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were $5,197, $3,224 and $11,546, respectively; 82.42 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,400, $1,258 and $1,716, respectively; 82.42 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were $3,498, $3,868 and $4,566, respectively; 97.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 - CONTINGENCY

Grants

The Center 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2011.

NOTE 13 - SERVICE AGREEMENT

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

Sponsor fees
The Center is required to pay the Sponsor 3% of the per pupil allocation paid to the Center from the State of Ohio for various oversight and management services. For the fiscal year ended June 30, 2011, the Center paid the Sponsor $22,948 in sponsor fees.

Management fees
The Center is required to pay the Sponsor up to ten percent (10%) of funds paid to the Center by the State of Ohio as a management fee. In addition, the Center is required to pay the Sponsor, 100% of the Center's fiscal year-end cash balance above $50,000 for all funds paid to the Center by the State of Ohio after payment of Center expenses and amounts encumbered at year end. For the fiscal year ended June 30, 2011, the Center paid the Sponsor $76,492 in management fees.

NOTE 14 - RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2011, the Center had expenses of $182,921 to their Sponsor. This total includes the cash payments of $99,440 for sponsor and management fees in Note 13.

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

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

To the Governing Board:

We have audited the financial statements of Mahoning Valley Opportunity Center, Mahoning County, Ohio (the "Center"), as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Governing Board, the Community School's sponsor, and others within the Center. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 7, 2012

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Governing Board:

Ohio Revised 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 Valley Opportunity Center (the "Center") has updated its anti-harassment policy in accordance with Ohio Revised 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 Center amended its anti-harassment policy at its meeting on September 26, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 School's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 7, 2012

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Dave Yost • Auditor of State

MAHONING VALLEY OPPORTUNITY CENTER

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 5, 2012