



Dave Yost • Auditor of State

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mahoning Unlimited Classroom
Mahoning County
100 DeBartolo Place, Suite 170
Youngstown, Ohio 44512

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Mahoning Unlimited Classroom, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mahoning Unlimited Classroom, Mahoning County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during the year ended June 30, 2013, the School adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 1, 2014

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

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

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position was \$439,076 at June 30, 2013, of which \$330,620 is unrestricted.
- The School had operating revenues of \$1,053,450 and operating expenses of \$1,306,791 for fiscal year 2013. The School also received \$130,840 in federal and state grants and \$105 in interest income during fiscal year 2013. Total change in net position for the fiscal year was a decrease of \$122,396.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents look at all financial transactions and asks the question, How did we do financially during 2013? The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

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

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

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

	Net Position	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 399,116	\$ 562,244
Capital assets, net	<u>88,273</u>	<u>122,386</u>
Total assets	<u>487,389</u>	<u>684,630</u>
<u>Liabilities</u>		
Current liabilities	<u>48,313</u>	<u>123,158</u>
Total liabilities	<u>48,313</u>	<u>123,158</u>
<u>Net position</u>		
Investment in capital assets	88,273	122,386
Restricted	20,183	39,985
Unrestricted	<u>330,620</u>	<u>399,101</u>
Total net position	<u>\$ 439,076</u>	<u>\$ 561,472</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net position totaled \$439,076.

At year-end, capital assets represented 18.11% of total assets, compared to 17.88% in 2012. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

A portion of the School's net position, \$20,183, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$330,620 may be used to meet the School's ongoing obligations to the students and creditors.

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

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

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

Change in Net Position

	<u>2013</u>	<u>2012</u>
<u>Operating revenues:</u>		
State foundation	\$ 991,018	\$ 884,907
Services provided to other entities	59,275	36,137
Other	<u>3,157</u>	<u>-</u>
Total operating revenues	<u>1,053,450</u>	<u>921,044</u>
<u>Operating expenses:</u>		
Personal services	19,560	23,028
Purchased services	1,102,429	1,148,769
Materials and supplies	27,758	22,977
Other	122,931	107,427
Depreciation	<u>34,113</u>	<u>34,112</u>
Total operating expenses	<u>1,306,791</u>	<u>1,336,313</u>
<u>Non-operating revenues:</u>		
Federal and state grants	130,840	195,758
Interest income	<u>105</u>	<u>198</u>
Total non-operating revenues	<u>130,945</u>	<u>195,956</u>
Change in net position	(122,396)	(219,313)
Net position at beginning of year	<u>561,472</u>	<u>780,785</u>
Net position at end of year	<u>\$ 439,076</u>	<u>\$ 561,472</u>

The School experienced an increase in enrollment for fiscal year 2013, which led to increased foundation revenue from the State of Ohio. This is the primary source of revenue for the School and accounted for 83.67% of total revenues in 2013, compared to 79.22% in 2012. The School continues to supplement its State foundation revenues by applying for federal and state grants whenever possible.

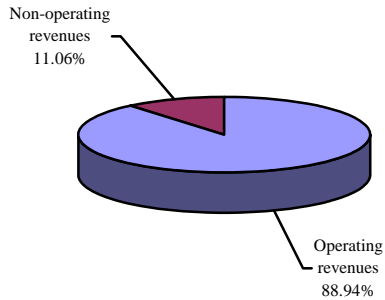
The School's most significant expenses are for purchased services. These expenses are primarily payments to the School's Sponsor (the Mahoning County Educational Service Center). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the School. In addition, the Sponsor provides personnel services to the School under a purchased services basis. Payments to the Sponsor in fiscal year 2013 totaled \$1,023,914, most of which were for instructional services and student and staff support.

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

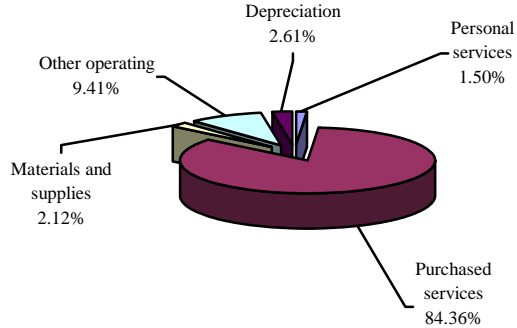
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 (UNAUDITED)

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

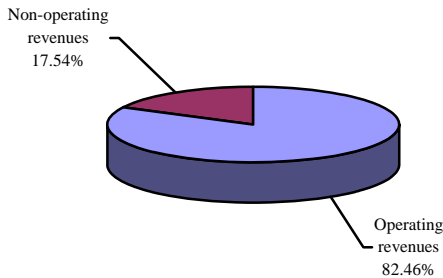
2013 Revenues



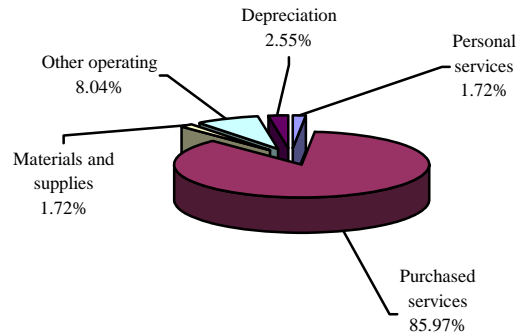
2013 Expenses



2012 Revenues



2012 Expenses



Capital Assets

At June 30, 2013, the School had \$88,273 invested in furniture and equipment, net of accumulated depreciation. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

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

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

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Blaise Karlovic, Treasurer, Mahoning Unlimited Classroom, 100 DeBartolo Place, Suite 170, Youngstown, Ohio 44512-7019.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash and cash equivalents	\$ 399,116
Total current assets	<u>399,116</u>
Non-current assets:	
Capital assets, net.	<u>88,273</u>
Total assets	<u>487,389</u>
Liabilities:	
Current liabilities:	
Accounts payable	146
Intergovernmental payable	<u>48,167</u>
Total liabilities	<u>48,313</u>
Net position:	
Investment in capital assets	88,273
Restricted for:	
State funded programs.	7,000
Federally funded programs.	13,183
Unrestricted	<u>330,620</u>
Total net position	<u>\$ 439,076</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Operating revenues:	
State foundation.	\$ 991,018
Services provided to other entities	59,275
Other operating revenues	3,157
Total operating revenues	<u>1,053,450</u>
Operating expenses:	
Personal services	19,560
Purchased services.	1,102,429
Materials and supplies.	27,758
Other operating expenses	122,931
Depreciation	34,113
Total operating expenses.	<u>1,306,791</u>
Operating loss	<u>(253,341)</u>
Non-operating revenues:	
Federal and state grants	130,840
Interest income.	105
Total non-operating revenues	<u>130,945</u>
Change in net position	(122,396)
Net position at beginning of year	<u>561,472</u>
Net position at end of year	<u><u>\$ 439,076</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Cash flows from operating activities:	
Cash received from State foundation	\$ 987,634
Cash received from services provided to other entities	59,275
Cash received from other operations	3,157
Cash payments for personal services	(19,560)
Cash payments to suppliers for goods and services.	(1,173,669)
Cash payments for materials and supplies	(28,638)
Cash payments for other expenses	(122,272)
	<hr/>
Net cash used in operating activities	(294,073)
	<hr/>
Cash flows from noncapital financing activities:	
Federal and state grants.	194,259
	<hr/>
Net cash provided by noncapital financing activities	194,259
	<hr/>
Cash flows from investing activities:	
Interest received	105
	<hr/>
Net cash provided by investing activities	105
	<hr/>
Net decrease in cash and cash equivalents.	(99,709)
	<hr/>
Cash and cash equivalents at beginning of year	498,825
Cash and cash equivalents at end of year.	\$ 399,116
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (253,341)
Adjustments:	
Depreciation	34,113
Changes in assets and liabilities:	
Decrease in accounts payable	(17,631)
Decrease in intergovernmental payable	(57,214)
	<hr/>
Net cash used in operating activities	\$ (294,073)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

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

The Mahoning County ESC sponsored the School during fiscal year 2013. Based on the significant influence the Board of Education of Mahoning County ESC has over the Board of Directors of the School, the School is a component unit of Mahoning County ESC.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 7). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 130 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Capital Assets and Depreciation

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

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

F. Net Position

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

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

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

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

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

G. Intergovernmental Revenues

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

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

H. Estimates

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

I. Tax Exemption Status

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

NOTE 3 - DEPOSITS

At June 30, 2013, the carrying amount of all School deposits was \$399,116. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$250,000 of the School's bank balance of \$404,090 was covered by the Federal Deposit Insurance Corporation (FDIC), while \$154,090 was exposed to custodial risk as discussed below.

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

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

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

NOTE 4 - CAPITAL ASSETS

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

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2013</u>
Furniture and equipment	\$ 341,125	\$ -	\$ -	\$ 341,125
Less: accumulated depreciation	<u>(218,739)</u>	<u>(34,113)</u>	<u>-</u>	<u>(252,852)</u>
Capital assets, net	<u>\$ 122,386</u>	<u>\$ (34,113)</u>	<u>\$ -</u>	<u>\$ 88,273</u>

NOTE 5 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2013, professional liability is provided through the Mahoning County Educational Service Center's Trident Insurance Company insurance plan which has a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible.

NOTE 6 - PURCHASED SERVICES

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

Professional and technical services	\$ 1,020,612
Property services	37,638
Travel expenses	9,501
Communications	28,921
Craft or trade services	<u>5,757</u>
Total	<u>\$ 1,102,429</u>

NOTE 7 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2012 and ending June 30, 2013, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS \$2,846 for services during fiscal year 2013.

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

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

NOTE 7 - SERVICE AGREEMENTS - (Continued)

B. Mahoning County ESC

The School had a service contract with Mahoning County ESC. This contract outlined the services that would be provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2012 through June 30, 2013 were as follows:

Instructional	\$ 445,116
Student and staff support	268,346
Administrative	174,449
Fiscal	<u>136,003</u>
Total	<u>\$ 1,023,914</u>

NOTE 8 - CONTINGENCIES

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time.

NOTE 9 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

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

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

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

NOTE 9 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School.



Dave Yost • Auditor of State

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

Mahoning Unlimited Classroom
Mahoning County
100 DeBartolo Place, Suite 170
Youngstown, Ohio 44512

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Mahoning Unlimited Classroom, Mahoning County, (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 1, 2014, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

April 1, 2014



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Mahoning Unlimited Classroom
Mahoning County
100 DeBartolo Place, Suite 170
Youngstown, Ohio 44512

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 Unlimited Classroom (the "School") 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 Board amended its anti-harassment policy at its meeting on August 22, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

April 1, 2014

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Dave Yost • Auditor of State

MAHONING UNLIMITED CLASSROOM

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 13, 2014**