THE MOLLIE KESSLER SCHOOL
MAHONING COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2013

Dave Yost • Auditor of State

THE MOLLIE KESSLER SCHOOL
MAHONING COUNTY

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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, 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.

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www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Mollie Kessler School, 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 3 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.

As discussed in Note 15 to the financial statements, the School will voluntarily cease 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 May 7, 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

May 7, 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, 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- 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 increased in fiscal year 2013 due to revenues outpacing expenses in fiscal year 2013. The School continues to actively seek out additional sources of revenues to aid in operations.
- Revenues increased in fiscal year 2013 mainly due to the School receiving a large increase in operating grants.
- Expenses increased during the fiscal year mainly due to an increase in purchased services.

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 2013?" 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 2013 with net position totaling $216,343.

Table 1 provides a summary of the School's net position for 2013 compared to 2012:

(Table 1)
Net Position

	2013	2012	Change
Assets			
Current and Other Assets	$222,170	$146,626	$75,544
Capital Assets, Net	116,398	121,567	(5,169)
Total Assets	338,568	268,193	70,375
Liabilities			
Accounts Payable	38,376	6,258	(32,118)
Accrued Wages	63,431	65,038	1,607
Intergovernmental Payable	20,418	14,726	(5,692)
Total Liabilities	122,225	86,022	(36,203)
Net Position			
Net Investment in Capital Assets	116,398	121,567	(5,169)
Unrestricted	99,945	60,604	39,341
Total Net Position	$216,343	$182,171	$34,172

Total assets increased during fiscal year 2013. This increase can be attributed to an increase in cash and cash equivalents from the School receiving more in grant funding.

Total liabilities increased during fiscal year 2013. This increase can be attributed to increases in accounts payable and intergovernmental payables due to increased spending for materials and supplies as well as purchased services for school improvements.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013 as well as revenue and expense comparisons to the previous fiscal year.

(Table 2)
Changes in Net Position

	2013	2012	Change
Operating Revenues			
Foundation Payments	$668,372	$609,478	$58,894
Charges for Services	14,047	13,893	154
Other	11,938	13,059	(1,121)
Total Operating Revenues	$694,357	$636,430	$57,927

(Table 2)
Changes in Net Position (continued)

	2013	2012	Change
Non-Operating Revenues			
Operating Grants	$153,463	$79,240	$74,223
Interest	49	29	20
Total Non-Operating Revenues	153,512	79,269	74,243
Total Revenues	847,869	715,699	132,170
Operating Expenses			
Salaries	418,185	412,733	(5,452)
Fringe Benefits	138,520	149,978	11,458
Purchased Services	200,214	143,543	(56,671)
Materials and Supplies	28,103	17,993	(10,110)
Depreciation	4,623	5,753	1,130
Other	23,506	25,466	1,960
Total Operating Expenses	813,151	755,466	(57,685)
Non-Operating Expenses			
Loss on Disposal of Capital Assets	546	640	94
Total Expenses	813,697	756,106	(57,591)
Change in Net Position	34,172	(40,407)	74,579
Net Position Beginning of Year	182,171	222,578	(40,407)
Net Position End of Year	$216,343	$182,171	$34,172

Although the School relies heavily upon the State School Foundation Program to support its operations, the School actively solicits and receives additional grant and entitlement funds to help offset some operating costs.

Salaries increased during the fiscal year, due to increases in salaries and professional and technical services. Fringe benefits decreased during the fiscal year, due to decreases in premiums.

The School has carefully planned its financial existence by forecasting its revenues and expenses over the next five fiscal years.

Capital Assets

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

	2013	2012	Change
Buildings and Improvements	$112,274	$116,017	($3,743)
Furniture, Fixtures and Equipment	4,124	5,550	(1,426)
Total	$116,398	$121,567	($5,169)

The $5,169 decrease in capital assets during the fiscal year was due to the additional year of depreciation being taken on the assets as well as a deletion to furniture and equipment that was not fully depreciated.

For more information on the School's capital assets, see Note 6 of the basic financial statements.

Debt

The School had no outstanding debt at June 30, 2013.

School Outlook

The Mollie Kessler School continues to maintain a high level of service to our at risk student population. We continue our excellent relationship with our sponsor Buckeye Community Hope Foundation.

The Mollie Kessler School received a designation of Academic Emergency on the 2012-2013 school year report card due to our small testing population comprised of 99 percent learning disabled students, and the Value Added Measure showed an overall composite rating of Met Expected Gains. The Mollie Kessler School is in School Improvement Year 7 in Reading and Year 8 in Math.

The Mollie Kessler School Board and Administration closely monitor the School's revenues and expenses and are doing everything in their power to make sure every dollar is being used efficiently and effectively.

The financial future of The Mollie Kessler School is stable. Steps are being taken to ensure that growth in expenses does not exceed the growth in revenues.

On October 10, 2013, the Board determined to close the School at the conclusion of the business day ending 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, 2013

Assets	
Current Assets:	
Cash and Cash Equivalents	$161,425
Intergovernmental Receivable	52,139
Prepaid Items	8,606
Total Current Assets	222,170
Noncurrent Assets:	
Depreciable Capital Assets, Net	116,398
Total Assets	338,568
Liabilities	
Accounts Payable	38,376
Accrued Wages Payable	63,431
Intergovernmental Payable	20,418
Total Liabilities	122,225
Net Position	
Net Investment in Capital Assets	116,398
Unrestricted	99,945
Total Net Position	$216,343

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, 2013

Operating Revenues	
Foundation Payments	$668,372
Charges for Services	14,047
Other	11,938
Total Operating Revenues	694,357
Operating Expenses	
Salaries	418,185
Fringe Benefits	138,520
Purchased Services	200,214
Materials and Supplies	28,103
Depreciation	4,623
Other	23,506
Total Operating Expenses	813,151
Operating Loss	(118,794)
Non-Operating Revenues (Expenses)	
Operating Grants	153,463
Interest	49
Loss on Disposal of Capital Assets	(546)
Total Non-Operating Revenues (Expenses)	152,966
Change in Net Position	34,172
Net Position Beginning of Year	182,171
Net Position End of Year	$216,343

See accompanying notes to the financial statements

The Mollie Kessler School

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$668,372
Cash Received from Customers	14,047
Cash Received from Other Operating Sources	11,938
Cash Payments to Suppliers for Goods and Services	(188,499)
Cash Payments to Employees for Services	(419,792)
Cash Payments for Employee Benefits	(139,768)
Cash Payments for Other Operating Expenses	(23,361)
Net Cash Used in Operating Activities	(77,063)
Cash Flows from Noncapital Financing Activities	
Cash Received from Operating Grants	121,800
Cash Flows from Investing Activities	
Interest on Investments	49
Net Increase in Cash and Cash Equivalents	44,786
Cash and Cash Equivalents Beginning of Year	116,639
Cash and Cash Equivalents End of Year	$161,425

(continued)

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss	($118,794)
Adjustments:	
Depreciation	4,623
Decrease in Assets:	
Prepaid Assets	905
Increase/(Decrease) in Liabilities:	
Accounts Payable	32,118
Accrued Wages and Benefits	(1,607)
Intergovernmental Payable	5,692
Total Adjustments	41,731
Net Cash Used in Operating Activities	($77,063)

See accompanying notes to the financial statements

Note 1 - Description of the School and Reporting Entity

The Mollie Kessler School (the "School") is a community school as provided for by Ohio Revised Code Chapters 3314 and 1702 located within the Youngstown City School District. The School, which is part of the State's education program, is independent of any school district and is 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.

The School operates under a six-member Board of Directors. New members are appointed by the Mollie Kessler School Board of Directors. The 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 and qualifications of teachers. The Board of Directors controls the School's one instructional/support facility staffed by five non-certified personnel, five certificated full time teaching personnel, one full time certified administrator and one full time treasurer who provide services to sixty-five students.

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

The School participates in one jointly governed organization, the Area Cooperative Computerized Educational Service System Council of Governments. This organization is presented in Note 12 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 uses 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 2013, investments were limited to STAR Ohio. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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 is granted sick days by the administration based on need. The Administrator may bring 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. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is 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 School did not have any restricted net position as of June 30, 2013.

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 currently participates in the State Foundation Program along with the Title I and School Improvement, the Special Education, Ed Jobs, Improving Teacher Quality and Race to the Top 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 is exempt from federal income taxes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

Note 3 – Change in Accounting Principles

Change in Accounting Principles

For fiscal year 2013, the School has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities" and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units' presentation and certain disclosure requirements. These changes were incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. These changes were incorporated in the School's 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School's 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School's financial statements.

Note 4 - Operating Lease

The Mollie Kessler School leases the building in which it operates from the ACLD School and Learning Center. The School has entered into a lease for this space for a period of one year from July 1, 2012, through June 30, 2013. The Mollie Kessler School is obligated to pay $3,167 on the first day of each month for a total annual rent of $38,000. The lease is renewable annually.

Note 5 - 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 does not prescribe an investment process for the School.

Note 6 - Capital Assets

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

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13
Capital assets being depreciated				
Building improvements	$149,700	$0	$0	$149,700
Furniture, fixtures and equipment	38,458	0	(4,731)	33,727
Total capital assets being depreciated	188,158	0	(4,731)	183,427
Accumulated depreciation				
Building improvements	(33,683)	(3,743)	0	(37,426)
Furniture, fixtures and equipment	(32,908)	(880)	4,185	(29,603)
Total accumulated depreciation	(66,591)	(4,623)	4,185	(67,029)
Capital assets being depreciated, net	$121,567	($4,623)	($546)	$116,398

Note 7 - Receivables

Receivables at June 30, 2013, 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	$43,736
Special Education, Part B-IDEA Grant	4,680
Title I Grant	2,736
Bereau of Worker's Compensation	987
Total	$52,139

Note 8 - Risk Management

Property and Liability

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 employees and natural disasters. For fiscal year 2013, 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, 2013.

Worker's Compensation

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

Employee Benefits

The School has contracted with the Anthem Blue Cross Blue Shield to provide employee health, dental and life benefits. The School pays 100 percent of the monthly premium for single coverage but has no family plan. For fiscal year 2013, the School's premiums were $444.30 for single coverage. An employee may add a spouse as dependent, but the employee pays the entire additional premium.

Note 9 - Pension Plans

School Employee Retirement System

Plan Description – The School participates 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 are required to contribute 10 percent of their annual covered salary and the School is 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, 2013, 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, 2013, 2012, and 2011 were $19,842, $20,952 and $20,437, respectively. For fiscal year 2013, 93.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The School participates 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 10 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, 2013, plan members were required to contribute 10 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 $34,882 and $1,114 for the fiscal year ended June 30, 2013, $32,343 and $0 for the fiscal year ended June 30, 2012 and $31,108 and $0 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.11 percent has been contributed for the DB plan and 82.11 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were $5,460 made by the School and $3,900 made by the plan members. In addition, member contributions of $796 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Note 10 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School participates 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 2013, 0.16 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 2013, this amount was $20,525. During fiscal year 2013, the School paid $1,583 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, 2013, 2012 and 2011 were $1,825, $3,402 and $2,475, respectively. For fiscal year 2013, 93.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011, were $1,121, $1,237 and $1,315 respectively. For fiscal year 2013, 93.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The School participates 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 2013, 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, 2013, 2012, and 2011 were $2,683, $2,488 and $2,393 respectively. For fiscal year 2013, 82.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 11 – Other Employee Benefits

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

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

Note 12 - 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 $1,296 annually for fiscal year 2013 as well as other service fees of $1,032 annually. Eighty percent of the per pupil charges were paid for through the USAC Schools and Libraries (E-Rate) Program discount. The Mollie Kessler School paid $2,324 to ACCESS during fiscal year 2013.

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 13 - 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 of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

As of June 30, 2013, the School was not party to any legal proceedings.

Note 14 – Purchased Services

For the period of July 1, 2012 through June 30, 2013, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$160,143
Rent	38,000
Postage	1,119
Advertising	952
Total	$200,214

Note 15 – Subsequent Events

The Mollie Kessler School has entered into a lease with the ACLD School and Learning Center for the period of July 1, 2013 through June 30, 2014 for the building in which it operates. The Mollie Kessler School is obligated to pay $3,167, for July and August, and $4,000, from September through June, on the first day of each month for a total annual rent of $46,334.

On October 10, 2013, the Board determined to close the School at the conclusion of the business day ending June 30, 2014.

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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 The Mollie Kessler School, Mahoning County, (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 7, 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*. In addition, we noted the School will voluntarily cease operations on June 30, 2014 based on a vote from their Governing Board and approval by their sponsor.

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

Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2014

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Governing Board:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 9, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

This report is intended solely for the information and use of the Board and 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

May 7, 2014

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Dave Yost • Auditor of State

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
MAY 29, 2014