



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Life Skills Center of Youngstown  
Mahoning County  
345 Oakhill Ave.  
Youngstown, Ohio 44502

To the Governing Board:

We have audited the Balance Sheet of Life Skills Center of Youngstown, Mahoning County, (the School), as of June 30, 2001, and the related Statement of Revenues, Expenses and Changes in Retained Earnings and the Statement of Cash Flows for the year ended June 30, 2001. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Life Skills Center of Youngstown, Mahoning County, as of June 30, 2001, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2002 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

April 24, 2002

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**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2001**

**ASSETS**

Cash	\$ 111,211
Continuing fees receivable	222,256
Grants receivable	<u>8,835</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 342,302</u></u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

State funding payable	\$ 229,129
Continuing fees payable	<u>106,083</u>
<b>TOTAL LIABILITIES</b>	<b>335,212</b>

**FUND EQUITY**

Retained earnings	<u>7,090</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u><u>\$ 342,302</u></u></b>

The notes to the financial statements are an integral part of this statement.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2001**

**OPERATING REVENUES**

State basic aid	\$ 862,427
Disadvantaged pupil impact aid	5,810
Miscellaneous	<u>100</u>
TOTAL OPERATING REVENUES	868,337

**OPERATING EXPENSES**

Purchased services	1,047,454
Legal fees	18,942
Accounting/Auditing fees	2,289
Other operating expenses	<u>7,454</u>

TOTAL OPERATING EXPENSES 1,076,139

Operating loss (207,802)

**NON-OPERATING REVENUES**

State Grants	74,206
Federal grants	<u>131,876</u>

TOTAL NONOPERATING REVENUES 206,082

Net Loss (1,720)

RETAINED EARNINGS AT BEGINNING OF YEAR 8,810

RETAINED EARNINGS AT END OF YEAR \$ 7,090

The notes to the financial statements are an integral part of this statement.



**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2001**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from State of Ohio	\$ 862,642
Cash payments to suppliers for goods and services	(1,033,204)
Other operating revenue	100
	(170,462)
Net cash used for operating activities	(170,462)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Cash received from State grants	74,206
Cash received from Federal grants	166,920
	241,126
Net Cash Provided by Noncapital Financing Activities	241,126
Net Increase in Cash and Cash Equivalents	70,664
Cash and Cash Equivalents at Beginning of Year	40,547
Cash and Cash Equivalents at End of Year	\$ 111,211

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Operating Loss	\$ (207,802)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS  
TO NET CASH USED FOR OPERATING ACTIVITIES**

Changes in assets and liabilities:

Decrease in continuing fees receivable	5,426
Increase in continuing fees payable	41,299
(Decrease) in accounts payable	(3,792)
(Decrease) in state funding payable	(5,594)
	37,339
Total adjustments	37,339
Net cash used for operating activities	\$ (170,462)

The notes to the financial statements are an integral part of this statement.

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**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Life Skills Center of Youngstown (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with WHLS of Ohio, LLC (WHLS) for most of its functions. (See Note 7.)

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing July 12, 1999 through June 30, 2004. The School operates under a self-appointing four-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of successors trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility staffed by teaching personnel employed by WHLS which provides services to 174 students. A member of the Board is also a member of the Boards of the Life Skills Center of Cleveland and Life Skills Center of Akron.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's 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.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized 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 Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract, however the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

**D. CASH AND CASH EQUIVALENTS**

All cash received by the School is maintained in demand deposit accounts. For purposes of the Statement of Cash Flows and for presentation on the Balance Sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**E. FIXED ASSETS AND DEPRECIATION**

The School operates under a management agreement with WHLS and as such, the School has no fixed assets.

**F. INTERGOVERNMENTAL REVENUES**

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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 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.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the school was awarded \$50,000 to offset start-up costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the 2001 school year totaled \$918,057.

**G. USE OF ESTIMATES**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. DEPOSITS**

At year-end, the carrying amount of the School's deposits were \$111,211, and the bank balance was \$113,234. Of the bank balance, \$100,000 was covered by federal depository insurance and \$13,324 was uninsured and uncollateralized.

**4. CONTINUING FEES RECEIVABLE**

The School has recognized a "Continuing fees receivable" for the amount that is due from WHLS for their portion (97%) to be refunded by the School to the Ohio Department of Education (ODE) based on the actual student full-time equivalent (FTE) enrollment figure as determined at the end of the year.

At June 30, 2001 the amount of Continuing Fees Receivable was a net \$222,256 which consisted of \$227,682 (reviewed by ODE) of Continuing Fees Receivable due from fiscal year 2000 and an estimated Continuing Fees Payable of \$5,426 for the fiscal year ended June 30, 2001. As of June 30, 2001, the ODE had not yet begun to collect on the FY2000 liability and thus, the entire amount remained due.

**5. SIGNIFICANT PAYABLES**

The School has recognized a "State funding payable" for the amount that is to be paid by the School to the Ohio Department of Education (ODE) based on the difference in the amount the school actually received versus the amount earned through student full-time equivalent (FTE) enrollment as determined at the end of the year. A payable reflects that the School was funded on a higher estimated enrollment figure throughout the year than what the FTE enrollment figure was calculated to be at year end.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**5. SIGNIFICANT PAYABLES – (Continued)**

The School has a State Funding Payable at June 30, 2001 of \$229,129 which consisted of \$234,723 (reviewed by ODE) of State Funding Payable due from fiscal year 2000 and an estimated State Funding Receivable of \$5,594 for the fiscal year ended June 30, 2001. As of June 30, 2001, the ODE had not yet begun to collect on the FY2000 liability and thus, the entire amount remained due. (See Note 4.)

Additionally, a "Continuing fees payable" has been recorded by the school for 100% of the amount of federal and state grant monies due to WHLS under the terms of the management agreement at June 30, 2001 in the amount of \$106,083.

**6. RISK MANAGEMENT**

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. (See Note 7.)

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and no deductible.

**7. AGREEMENT WITH WHLS**

Effective October 22, 1999, the School entered into a five-year Management Agreement (Agreement) with WHLS which is an educational consulting and management company. The Agreement's term commenced on the date of full execution of this agreement and continues through June 30, 2004. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Trustees (the "School Board") for the administration, operation and performance of the School in accordance with the School's contract (Contract) with the Ohio State Board of Education to operate the School. The School had purchase service expenses for the year ended June 30, 2001 to WHLS of \$1,047,454 and a payable to WHLS at June 30, 2001 of \$106,083. Significant provisions of the Agreement are as follows:

Financial Provisions

Management, Consulting and Operation Fee. The School is required to pay WHLS or the Company a monthly continuing fee of 97% of the School's "Qualified Gross Revenues", defined in the Agreement as, "...all revenues and income received by the School except for charitable contributions" and "shall receive 100% of any and all grants or funding of any kind generated by the Company, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee is paid to the Company based on the previous month's qualified gross revenues.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**7. AGREEMENT WITH WHLS (Continued)**

Other School Financial Responsibilities. The School is responsible for its directors' and officers' insurance, legal fees for School Board representation and general corporate matters, accounting, audit, tax and consulting fees for the School, and other miscellaneous expenses not incurred in the normal day-to-day operation of the School.

WHLS Financial Responsibilities

Except as otherwise provided in the Agreement, all costs incurred in providing the educational program at the School are to be paid by WHLS. Such costs include, but are not limited to, salaries for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements. All personal property used in the operation of the School is the property of WHLS, unless purchased directly by the School with its separate funds.

WHLS is required to maintain, at WHLS's expense, commercial general liability insurance in the name of the School in an amount not less than one \$1 million per occurrence and \$2 million aggregate, and excess umbrella liability insurance of not less than \$10 million per occurrence and \$15 million aggregate.

Personnel

WHLS has the responsibility and authority to determine staffing levels, and to select, evaluate, assign, discipline, transfer and terminate personnel, consistent with state and federal law and the Contract.

Compensation of all employees is paid by WHLS. If WHLS fails to pay this compensation, the School, in its sole discretion, may pay such compensation and offset the amount by withholding an equal amount from the fees owed to WHLS under the Agreement.

Agreement Termination

Termination by the School. The School may terminate the Agreement in the event WHLS materially breaches the Agreement or the Contract and WHLS does not cure the material breach within 90 days of its receipt of written notice from the School, unless the breach cannot be reasonably cured within 90 days, in which case the WHLS shall promptly undertake and continue efforts to cure said material breach within a reasonable time.

Termination by WHLS. WHLS may, at its option, terminate the Agreement upon the occurrence of certain events as defined in the Agreement.

**8. FEDERAL TAX EXEMPTION STATUS**

As of October 31, 2001 the school had applied for tax exempt status under Section 501 (c)(3) of the Internal Revenue Code. Should the School fail to obtain federal tax exempt status, it could be subject to federal income tax, the effect of which has not been assessed.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of April 24, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the School is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**10. CONTINGENCIES**

**A. GRANTS**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material, adverse effect on the financial position of the school.

**B. PENDING LITIGATION**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. The effect of this suit, if any, on the Life Skills Center of Youngstown is not presently determinable.



**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS**

The School has contracted with WHLS to provide employee services and to pay those employees. However, these contract services do not relieve the school of the obligation for remitting pension contributions. The retirement systems consider the School as the "Employer-of-Record" and the school ultimately responsible for remitting retirement contributions to each of the systems noted below: (See Note 7.)

**A. School Employees Retirement System**

WHLS contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion to fund pension obligations for the fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001 and 2000 were \$12,669 and \$8,194, respectively; 100 percent has been contributed for fiscal years 2001 and 2000.

**B. State Teachers Retirement System**

WHLS contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement benefits and disability benefits, annual cost of living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001 and 2000 were \$33,243 and \$26,952, respectively; 100 percent has been contributed for fiscal years 2001 and 2000.

**LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS**

WHLS provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

The State Teachers Retirement Board has authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$10,685.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS has 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the school, the amount to fund health care benefits, including the surcharge, was \$9,816 for fiscal year 2001.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Life Skills Center of Youngstown  
Mahoning County  
345 Oakhill Ave.  
Youngstown, Ohio 44502

To the Governing Board:

We have audited the financial statements of Life Skills Center of Youngstown, Mahoning County, (the School), as of and for the year ended June 30, 2001, and have issued our report thereon dated April 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and the governing board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

April 24, 2002

LIFE SKILLS CENTER OF YOUNGSTOWN  
MAHONING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
<b>2000-11150-001</b>	Submission of application for Federal tax exempt status	Yes	The application was submitted October 31, 2001.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**LIFE SKILLS CENTER OF YOUNGSTOWN**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 1, 2002**