**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

**REGULAR AUDIT**

**FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007**

Mary Taylor, CPA
Auditor of State

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

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Mary Taylor, CPA
Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the Mahoning Valley Opportunity Center, Mahoning County, Ohio (the "Center"),as of and for the period September 1, 2006 through June 30, 2007 which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mahoning Valley Opportunity Center, Mahoning County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

December 12, 2008

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)

The management's discussion and analysis of the Mahoning Valley Opportunity Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the period September 1, 2006 through June 30, 2007. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets were $120,287 at June 30, 2007.

- The Center had operating revenues of $991,005, operating expenses of $1,235,335, and non-operating revenues of $364,617 for the period September 1, 2006 through June 30, 2007. Total change in net assets for the period was an increase of $120,287.

**Using these Basic Financial Statements**

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

**Reporting the Center's Financial Activities**

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting 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 Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 10-18 of this report.

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)

The table below provides a summary of the Center's net assets at June 30, 2007. Since this is the first year that the Center has prepared financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

**Net Assets**

| | June 30, 2007 |
|---|---|
| **Assets** | |
| Current assets | $ 473,309 |
| Capital assets, net | 51,755 |
| Total assets | 525,064 |
| **Liabilities** | |
| Current liabilities | 404,777 |
| Total liabilities | 404,777 |
| **Net Assets** | |
| Invested in capital assets | 51,755 |
| Unrestricted | 68,532 |
| Total net assets | $ 120,287 |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Center's net assets totaled $120,287.

At year-end, capital assets, net of accumulated depreciation, represented 9.86% of total assets. Capital assets consisted of furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007
(UNAUDITED)

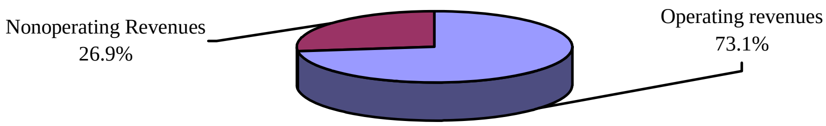
The table below shows the changes in net assets for the period September 1, 2006 through June 30, 2007. Since this is the first year that the Center has prepared financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

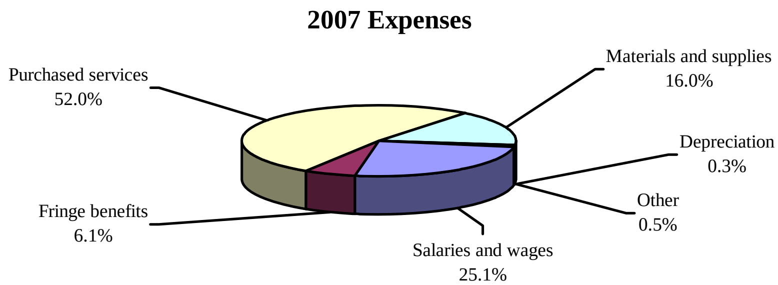
| | Period September 1, 2006 to June 30, 2007 |
|---|---|
| **Operating Revenues:** | |
| State foundation | $ 991,005 |
| Total operating revenue | 991,005 |
| **Operating Expenses:** | |
| Salaries and wages | $ 310,190 |
| Fringe benefits | 74,785 |
| Purchased services | 642,343 |
| Materials and supplies | 197,986 |
| Depreciation | 3,289 |
| Other | 6,742 |
| Total operating expenses | 1,235,335 |
| **Non-operating Revenues:** | |
| Federal and State grants | 355,000 |
| Interest revenue | 9,617 |
| Total non-operating revenues | 364,617 |
| Change in net assets | 120,287 |
| Net assets at beginning of period | - |
| Net assets at end of period | $ 120,287 |

The chart below illustrates the revenues for the Center during period September 1, 2006 through June 30, 2007:

**2007 Revenues**



The chart below illustrates the expenses for the Center during period September 1, 2006 through June 30, 2007:




**Capital Assets**

At June 30, 2007, the Center had $51,755 invested in furniture and computer equipment. See Note 5 to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

The Center is sponsored by Youngstown City School District. The Center is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

**Contacting the Center's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ed Sobnosky, Treasurer, Mahoning Valley Opportunity Center, Box AK 11335, Youngstown-Pittsburg Road, New Middletown, Ohio 44442.

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2007

| | | |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents. . . . . . . . . . . . | $ | 463,678 |
| Receivables: | | |
| Intergovernmental. . . . . . . . . . . . . . . . . | | 9,631 |
| Total current assets . . . . . . . . . . . . . . . . | | 473,309 |
| Non-current assets: | | |
| Capital assets, net. . . . . . . . . . . . . . . . . | | 51,755 |
| Total assets . . . . . . . . . . . . . . . . . . . | | 525,064 |
| **Liabilities:** | | |
| Current: | | |
| Accrued wages and benefits . . . . . . . . . . | | 7,124 |
| Compensated absences payable. . . . . . . . . . . | | 2,250 |
| Intergovernmental payable . . . . . . . . . . . | | 395,403 |
| Total liabilities . . . . . . . . . . . . . . . . . . | | 404,777 |
| **Net Assets:** | | |
| Invested in capital assets . . . . . . . . . . . . | | 51,755 |
| Unrestricted. . . . . . . . . . . . . . . . . . . . | | 68,532 |
| Total net assets . . . . . . . . . . . . . . . . . . | $ | 120,287 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007

| | |
|---|---|
| **Operating revenues:** | |
| State foundation. . . . . . . . . . . . . . . . | $ 991,005 |
| Total operating revenues . . . . . . . . . . . . | 991,005 |
| **Operating expenses:** | |
| Salaries and wages . . . . . . . . . . . . . . . | 310,190 |
| Fringe benefits . . . . . . . . . . . . . . . . . | 74,785 |
| Purchased services. . . . . . . . . . . . . . . | 642,343 |
| Materials and supplies . . . . . . . . . . . . . | 197,986 |
| Depreciation . . . . . . . . . . . . . . . . . . | 3,289 |
| Other . . . . . . . . . . . . . . . . . . . . . | 6,742 |
| Total operating expenses. . . . . . . . . . . . | 1,235,335 |
| Operating loss . . . . . . . . . . . . . . . . . . | (244,330) |
| **Non-operating revenues:** | |
| Federal and State grants. . . . . . . . . . . . | 355,000 |
| Interest revenue . . . . . . . . . . . . . . . . | 9,617 |
| Total non-operating revenues . . . . . . . . . | 364,617 |
| Change in net assets . . . . . . . . . . . . . . | 120,287 |
| **Net assets at beginning of period. . . . . . . .** | - |
| **Net assets at end of period . . . . . . . . . . .** | $ 120,287 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY**

STATEMENT OF CASH FLOWS
FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from State foundation. . . . . . . . . . | $ | 981,374 |
| Cash payments for personal services. . . . . . . . . . | | (360,569) |
| Cash payments to suppliers for goods and services . . | | (261,972) |
| Cash payments for materials and supplies . . . . . . . | | (197,986) |
| Cash payments for other expenses . . . . . . . . . . . | | (6,742) |
| Net cash provided by operating activities . . . . . . . . . . . . . . . . . . | | 154,105 |
| **Cash flows from noncapital financing activities:** | | |
| Federal and state grants. . . . . . . . . . . . . . . . . | | 355,000 |
| Net cash provided by noncapital financing activities . . . . . . . . . . . . . . . . . . | | 355,000 |
| **Cash flows from capital and related financing activities:** | | |
| Acquisition of capital assets . . . . . . . . . . . . . . | | (55,044) |
| Net cash used in capital and related financing activities . . . . . . . . . . . . . . . . . . | | (55,044) |
| **Cash flows from investing activities:** | | |
| Interest received . . . . . . . . . . . . . . . . . . . . | | 9,617 |
| Net cash provided by investing activities . . . . . . . | | 9,617 |
| Net increase in cash and cash equivalents . . . . . . . . | | 463,678 |
| **Cash and cash equivalents at beginning of period . .** | | - |
| **Cash and cash equivalents at end of period . . . . . .** | $ | 463,678 |
| **Reconciliation of operating loss to net cash provided by operating activities:** | | |
| Operating loss . . . . . . . . . . . . . . . . . . . . . . | | (244,330) |
| Adjustments: | | |
| Depreciation. . . . . . . . . . . . . . . . . . . . . . | | 3,289 |
| Changes in assets and liabilities: | | |
| (Increase) in intergovernmental receivable . . . . . . . . . | | (9,631) |
| Increase in accrued wages and benefits . . . . . . . | | 7,124 |
| Increase in compensated absences payable . . . . . . . | | 2,250 |
| Increase in intergovernmental payable . . . . . . . . . | | 395,403 |
| Net cash provided by operating activities . . . . . . . . . . . . . . . . . . . . | $ | 154,105 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MAHONING VALLEY OPPORTUNITY CENTER**
**MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH JUNE 30, 2007

## NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Mahoning Valley Opportunity Center (the "Center") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in the Youngstown City School District (the "Sponsor") addressing the needs of students in grades 9-12. The Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is established and operated as a public benefit corporation in accordance with Chapter 1702 of the Ohio Revised Code.

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

The Center was approved under contract with the Sponsor for a period of two years commencing January 13, 2006 through June 30, 2007. Thereafter, the Sponsor may renew the contract for additional one-year terms from July 1$^{st}$ to June 30$^{th}$, not to exceed five years from the date of commencement, or June 30, 2010, whichever is sooner. After which, the Center must apply for an additional contract with the Sponsor. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at the expiration of any one-year term.

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

The Center operates under the direction of a self-appointed five-member Governing Authority. The Governing Authority is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Center is staffed by 6 non-certified staff members and 6 certified full time teaching personnel who provide services to 150 students.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Center's significant accounting policies are described below.

### A. Basis of Presentation

The Center’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

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

### B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statements of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its enterprise activities.

### C. Basis of Accounting

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

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

### D. Budgetary Process

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

### E. Cash

All monies received by the Center are deposited in a demand deposit account.

### F. Capital Assets

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

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

### G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center had no restricted net assets at June 30, 2007.

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

### H. Operating Revenues and Expenses

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

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

### I. Intergovernmental Revenue

The Center currently participates in the State Foundation Program, the State of Ohio Educational Management Information System grant, and the State community school start-up grant. 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 Center must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the Center on a reimbursement basis.

The amount of these grants is directly related to the number of students enrolled in the Center. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency calculations made by the Center. These reviews are conducted to ensure the schools and centers are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an underpayment to the Center in the amount of $9,631.

The Center also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Money received under this program is recognized as non-operating revenue in the accompanying financial statements, unless it is restricted for capital acquisitions in which case it is recognized as a capital contribution. The remaining grants and entitlements received by the Center are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met. Federal and State grant revenue for fiscal year 2007 was $355,000.

### J. Estimates

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

### K. Tax Exemption Status

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

## NOTE 3 - DEPOSITS

At June 30, 2007, the carrying amount of the Center's deposits was $463,678. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, $397,341 of the Center's bank balance of $497,341 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center.

## NOTE 4 - PURCHASED SERVICES

For the period ended June 30, 2007, purchased services expenses were as follows:

| | |
|---|---|
| Professional and technical services | $ 551,493 |
| Property services | 29,451 |
| Communications | 28,575 |
| Travel and meetings | 2,366 |
| Pupil transportation | 23,894 |
| Others | 6,564 |
| Total | $ 642,343 |

## NOTE 5 - CAPITAL ASSETS

A summary of the Center's capital assets at June 30, 2007 follows:

| | Balance 09/01/06 | Additions | Deletions | Balance 06/30/07 |
|---|---|---|---|---|
| **Capital assets:** | | | | |
| *Capital assets, being depreciated:* | | | | |
| Furniture and equipment | $ - | $ 55,044 | $ - | $ 55,044 |
| Total capital assets, being depreciated | - | 55,044 | - | 55,044 |
| *Less: accumulated depreciation:* | | | | |
| Furniture and equipment | - | (3,289) | - | (3,289) |
| Total accumulated depreciation | - | (3,289) | - | (3,289) |
| Capital assets, net | $ - | $ 51,755 | $ - | $ 51,755 |

## NOTE 6 - RECEIVABLES

Receivables at June 30, 2007 consisted of intergovernmental grants, in the amount of $9,631. 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.

## NOTE 7 - BUILDING LEASE

The Center leases a suite of offices containing approximately 2,700 square feet of building space, and comprising rooms 112, 151, 151 annex, 160, 161, and 170 on the first floor and rooms 200, 271, and 272 on the second floor, of the building known as The Greater Mill Creek, Inc., located at 496 Glenwood Avenue, Youngstown, Ohio. The term of this lease shall be from December 1, 2006 and ending on July 30, 2007. The Center agrees to pay the sum of $2,566.67 of rent due on the first day of each month. Total rental costs were $24,639 for the year ended June 30, 2007.

## NOTE 8 - RISK MANAGEMENT

### A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the Center contracted with The Indiana Insurance Agency for general liability insurance with a $1,000,000 each occurrence limit, and a $2,000,000 annual aggregate. The Center contracted with The Indiana Insurance Agency for property coverage with a limit of $100,000.

### B. Workers' Compensation

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

## NOTE 9 - PENSION PLANS

### A. School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. 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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Center's required contribution for pension obligations to SERS for fiscal year ended June 30, 2007 was $10,532; 67 percent has been contributed for fiscal year 2007. $3,476 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

### B. State Teachers Retirement System of Ohio

The Center 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

**NOTE 9 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for fund pension obligations to the DB Plan for the fiscal year ended June 30, 2007 were $24,027; 79.90 percent has been contributed for fiscal year 2007. $4,830 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled $1,848 for fiscal year 2007.

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was $3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were $282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at $35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the Center paid $3,274 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were $158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of $295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 11 - CONTINGENCIES**

**A. Grants**

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2007.

**NOTE 12 - SERVICE AGREEMENT**

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

Sponsor fees
The Center is required to pay the Sponsor 3% of the per pupil allocation paid to the Center from the State of Ohio for various oversight and management services. For the period September 1, 2006 through June 30, 2007, the Center paid the Sponsor $29,441 in sponsor fees.

## NOTE 12 - SERVICE AGREEMENT - (Continued)

Management fees
The Center is required to pay the Sponsor up to ten percent (10%) of funds paid to the Center by the State of Ohio as a management fee. In addition, the Center is required to pay the Sponsor, 100% of the Center's fiscal year-end cash balance above $50,000 for all funds paid to the Center by the State of Ohio after payment of Center expenses and amounts encumbered at year-end. During the period September 1, 2006 through June 30, 2007, the Center paid the Sponsor $98,137 in management fees. The Center has also recognized a liability in the amount of $380,371 for additional management fees owed under the contractual arrangement.

## NOTE 13 - RELATED PARTY TRANSACTIONS

For the period September 1, 2006 through June 30, 2007, the Center had expenses of $507,949 to their Sponsor. This total includes cash payments of $127,578 for sponsor and management fees and accrued expenses of $380,371 for additional management fees.

## NOTE 14 - START-UP PERIOD

The Center began its operations on September 1, 2006. Prior to September 1, 2006, the Center did not have any net assets.

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Mary Taylor, CPA
Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of Mahoning Valley Opportunity Center, Mahoning County, Ohio (the "Center"),as of and for the period September 1, 2006 through June 30, 2007, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Center's management in a separate letter dated December 12, 2008.

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## Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Center's management in a separate letter dated December 12, 2008.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

December 12, 2008

Mary Taylor, CPA
Auditor of State

**MAHONING VALLEY OPPORTUNITY CENTER**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**DECEMBER 31, 2008**

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