# MAHONING VALLEY OPPORTUNITY CENTER
## MAHONING COUNTY

## REGULAR AUDIT

## FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

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

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**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Governing Board:

We have audited the accompanying financial statements of the Mahoning Valley Opportunity Center, Mahoning County, Ohio (the "Center"),as of and for the year ended June 30, 2008 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, 2008, 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 July 7, 2009, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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

July 7, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The management's discussion and analysis of the Mahoning Valley Opportunity Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets were $344,245 at June 30, 2008.

- The Center had operating revenues of $943,066, operating expenses of $1,100,068, and non-operating revenues of $380,960 for the fiscal year ended June 30, 2008. Total change in net assets for the period was an increase of $223,958.

## 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 ask the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

### *Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 10-19 of this report.

The table below provides a summary of the Center's net assets at June 30, 2008 and June 30, 2007.

**Net Assets**

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 858,118 | $ 473,309 |
| Capital assets, net | 114,773 | 51,755 |
| Total assets | 972,891 | 525,064 |
| **Liabilities** | | |
| Current liabilities | 628,646 | 404,777 |
| Total liabilities | 628,646 | 404,777 |
| **Net Assets** | | |
| Invested in capital assets | 114,773 | 51,755 |
| Unrestricted | 229,472 | 68,532 |
| Total net assets | $ 344,245 | $ 120,287 |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Center's net assets totaled $344,245.

At year-end, capital assets, net of accumulated depreciation, represented 11.80% 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, OHIO**

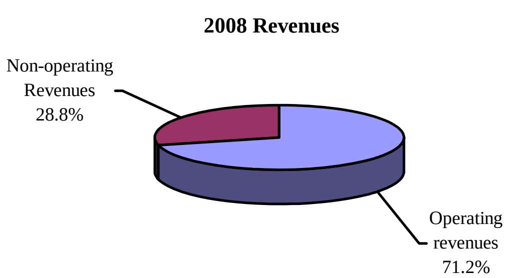
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

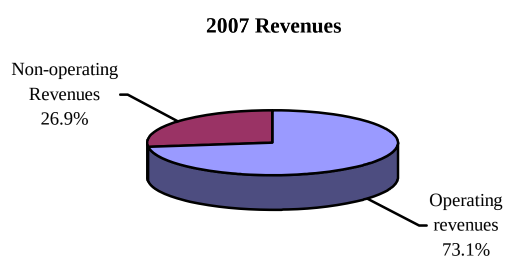
The table below shows the changes in net assets for the fiscal year ended June 30, 2008, and June 30, 2007.

**Change in Net Assets**

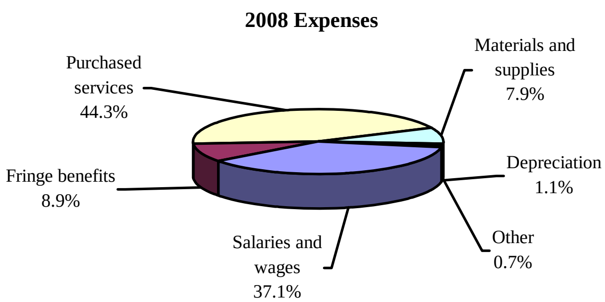
| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| **Operating Revenues:** | | |
| State foundation | $ 943,054 | $ 991,005 |
| Other | 12 | - |
| Total operating revenue | 943,066 | 991,005 |
| **Operating Expenses:** | | |
| Salaries and wages | 407,713 | 310,190 |
| Fringe benefits | 98,430 | 74,785 |
| Purchased services | 487,843 | 642,343 |
| Materials and supplies | 87,105 | 197,986 |
| Depreciation | 11,655 | 3,289 |
| Other | 7,322 | 6,742 |
| Total operating expenses | 1,100,068 | 1,235,335 |
| **Non-operating Revenues:** | | |
| Federal and State grants | 361,699 | 355,000 |
| Interest revenue | 19,261 | 9,617 |
| Total non-operating revenues | 380,960 | 364,617 |
| Change in net assets | 223,958 | 120,287 |
| Net assets at beginning of period | 120,287 | - |
| Net assets at end of period | $ 344,245 | $ 120,287 |

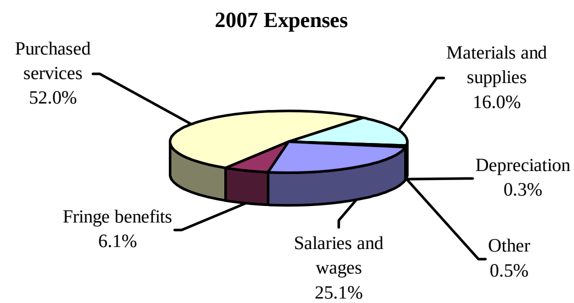
The chart below illustrates the revenues for the Center during the fiscal year ended June 30, 2008:



The chart below illustrates the expenses for the Center during the fiscal year ended June 30, 2008:




## Capital Assets

At June 30, 2008, the Center had $114,773 invested in furniture and computer equipment. See Note 6 to the basic financial statements for more detail on capital assets.

## Current Financial Related Activities

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

In order to continually provide learning opportunities to the Center's students, the Center will apply resources and 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, 2008

| | | |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents. . . . . . . . . . . . | $ | 714,721 |
| Receivables: | | |
| Intergovernmental. . . . . . . . . . . . . . . . | | 142,562 |
| Prepayments . . . . . . . . . . . . . . . . . . | | 835 |
| Total current assets . . . . . . . . . . . . . . . | | 858,118 |
| Non-current assets: | | |
| Capital assets, net. . . . . . . . . . . . . . . . | | 114,773 |
| Total assets . . . . . . . . . . . . . . . . . . | | 972,891 |
| **Liabilities:** | | |
| Current: | | |
| Accrued wages and benefits . . . . . . . . . . | | 6,099 |
| Compensated absences payable. . . . . . . . . . . | | 2,755 |
| Intergovernmental payable . . . . . . . . . . . | | 619,792 |
| Total liabilities . . . . . . . . . . . . . . . . . | | 628,646 |
| **Net Assets:** | | |
| Invested in capital assets . . . . . . . . . . . . | | 114,773 |
| Unrestricted. . . . . . . . . . . . . . . . . . . | | 229,472 |
| Total net assets . . . . . . . . . . . . . . . . . | $ | 344,245 |

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 FISCAL YEAR ENDED JUNE 30, 2008

| | |
|---|---|
| **Operating revenues:** | |
| State foundation. . . . . . . . . . . . . . . . | $ 943,054 |
| Other. . . . . . . . . . . . . . . . . . . . . | 12 |
| Total operating revenues . . . . . . . . . . . . | 943,066 |
| **Operating expenses:** | |
| Salaries and wages . . . . . . . . . . . . . . . | 407,713 |
| Fringe benefits . . . . . . . . . . . . . . . . | 98,430 |
| Purchased services. . . . . . . . . . . . . . . | 487,843 |
| Materials and supplies . . . . . . . . . . . . . | 87,105 |
| Depreciation . . . . . . . . . . . . . . . . . | 11,655 |
| Other . . . . . . . . . . . . . . . . . . . . | 7,322 |
| Total operating expenses. . . . . . . . . . . . | 1,100,068 |
| Operating loss . . . . . . . . . . . . . . . . . | (157,002) |
| **Non-operating revenues:** | |
| Federal and State grants. . . . . . . . . . . . | 361,699 |
| Interest revenue . . . . . . . . . . . . . . . . | 19,261 |
| Total non-operating revenues . . . . . . . . . | 380,960 |
| Change in net assets . . . . . . . . . . . . . . | 223,958 |
| **Net assets at beginning of period. . . . . . . .** | 120,287 |
| **Net assets at end of period . . . . . . . . . . .** | $ 344,245 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from State foundation | $ | 939,209 |
| Cash received from other operations | | 12 |
| Cash payments for personal services | | (486,010) |
| Cash payments to suppliers for goods and services | | (284,942) |
| Cash payments for materials and supplies | | (87,105) |
| Cash payments for other expenses | | (7,322) |
| Net cash provided by operating activities | | 73,842 |
| **Cash flows from noncapital financing activities:** | | |
| Federal and state grants | | 232,613 |
| Net cash provided by noncapital financing activities | | 232,613 |
| **Cash flows from capital and related financing activities:** | | |
| Acquisition of capital assets | | (74,673) |
| Net cash used in capital and related financing activities | | (74,673) |
| **Cash flows from investing activities:** | | |
| Interest received | | 19,261 |
| Net cash provided by investing activities | | 19,261 |
| Net increase in cash and cash equivalents | | 251,043 |
| **Cash and cash equivalents at beginning of period** | | 463,678 |
| **Cash and cash equivalents at end of period** | $ | 714,721 |
| **Reconciliation of operating loss to net cash provided by operating activities:** | | |
| Operating loss | | (157,002) |
| Adjustments: | | |
| Depreciation | | 11,655 |
| Changes in assets and liabilities: | | |
| Increase in prepayments | | (835) |
| Increase in intergovernmental receivable | | (3,845) |
| Decrease in accrued wages and benefits | | (1,025) |
| Increase in compensated absences payable | | 505 |
| Increase in intergovernmental payable | | 224,389 |
| Net cash provided by operating activities | $ | 73,842 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## NOTE 1 - DESCRIPTION OF THE CENTER

The Mahoning Valley Opportunity Center (the "Center") was established pursuant to Ohio Revised Code 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 1st to June 30th, 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 certified full time teaching personnel and 9 classified staff members who provide services to 136 students, which ranks the Center 768th out of the 896 public school districts and community schools in the State of Ohio.

## 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 five to ten years.

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center had no restricted net assets at June 30, 2008.

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 $13,476.

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 2008 was $361,699.

### 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 - ACCOUNTABILITY AND COMPLIANCE

### Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

## NOTE 4 - DEPOSITS

At June 30, 2008, the carrying amount of the Center's deposits was $714,721. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $100,100 of the Center's bank balance of $736,136 was covered by the Federal Deposit Insurance Corporation, while $ 636,036 was exposed to custodial risk as discussed below.

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

## NOTE 5 - PURCHASED SERVICES

For the period ended June 30, 2008, purchased services expenses were as follows:

| | |
|---|---|
| Professional and technical services | $ 370,622 |
| Property services | 67,434 |
| Communications | 6,301 |
| Travel and meetings | 5,932 |
| Tuition | 6,146 |
| Pupil transportation | 5,260 |
| Others | 26,148 |
| Total | $ 487,843 |

## NOTE 6 - CAPITAL ASSETS

A summary of the Center's capital assets at June 30, 2008 follows:

| | Balance 07/01/07 | Additions | Deletions | Balance 06/30/08 |
|---|---|---|---|---|
| **Capital assets:** | | | | |
| *Capital assets, being depreciated:* | | | | |
| Furniture and equipment | $ 55,044 | $ 74,673 | $ - | $ 129,717 |
| Total capital assets, being depreciated | 55,044 | 74,673 | - | 129,717 |
| *Less: accumulated depreciation:* | | | | |
| Furniture and equipment | (3,289) | (11,655) | - | (14,944) |
| Total accumulated depreciation | (3,289) | (11,655) | - | (14,944) |
| Capital assets, net | $ 51,755 | $ 63,018 | $ - | $ 114,773 |

## NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of intergovernmental grants in the amount of $142,562. 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 8 - BUILDING LEASE

The Center leases a suite of offices containing approximately 2,700 square feet of building space, and comprising rooms 112, 114, 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 Center agreed to pay the sum of $4,693.33 of rent due on the first day of each month from July 1, 2007 through November 30, 2007. This amount was amended to $4,793.33 for the period December 1, 2007 through July 31, 2009. Total rental costs were $57,020 for the fiscal year ended June 30, 2008.

## NOTE 9 - RISK MANAGEMENT

### A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, 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 $105,000.

### 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 10 - PENSION PLANS

### A. School Employees Retirement System

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008 and 2007 were $12,478 and $9,861, respectively; 62.25 percent has been contributed for fiscal year 2008, and 100 percent for fiscal year 2007.

### B. State Teachers Retirement System of Ohio

Plan Description - The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**NOTE 10 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008 and 2007 were $35,427 and $24,027, respectively; 78.42 percent has been contributed for fiscal year 2008, and 100 percent for fiscal year 2007. Neither the Center or any of its employees made any contributions to the DC and Combined Plans for fiscal year 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2008, 4.18 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 2008, this amount was $35,800.

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 Center's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $7,309 and $3,274, respectively; 62.25 percent has been contributed for fiscal year 2008, and 100 percent for fiscal year 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2008 and 2007 were $899 and $671, respectively; 62.25 percent has been contributed for fiscal year 2008, and 100 percent for fiscal year 2007.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $2,725 and $1,848, respectively; 78.42 percent has been contributed for fiscal year 2008, and 100 percent for fiscal year 2007.

**NOTE 12 - CONTINGENCY**

**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, 2008.

## NOTE 13 - SERVICE AGREEMENT

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

Sponsor fees
The Center is required to pay the Sponsor 3% of the per pupil allocation paid to the Center from the State of Ohio for various oversight and management services. For the fiscal year ended June 30, 2008, the Center paid the Sponsor $27,887 in sponsor fees.

Management fees
The Center is required to pay the Sponsor up to ten percent (10%) of funds paid to the Center by the State of Ohio as a management fee. In addition, the Center is required to pay the Sponsor, 100% of the Center's fiscal year-end cash balance above $50,000 for all funds paid to the Center by the State of Ohio after payment of Center expenses and amounts encumbered at year-end. For the fiscal year ended June 30, 2008, the Center paid the Sponsor $92,958 in management fees. The Center has also recognized a liability in the amount of $203,736 for additional management fees owed under the contractual arrangement.

## NOTE 14 - RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2008, the Center had expenses of $324,581 to their Sponsor. This total includes cash payments of $120,845 for sponsor and management fees and accrued expenses of $203,736 for additional management fees.

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

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

To the Governing Board:

We have audited the financial statements of Mahoning Valley Opportunity Center, Mahoning County, Ohio (the "Center"), as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated July 7, 2009. 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 July 7, 2009.

**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 July 7, 2009.

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

July 7, 2009

**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**
**AUGUST 18, 2009**

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