



Dave Yost • Auditor of State

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2012	9
Statement of Revenues, Expenses and Changes in Net Assets For the Fiscal Year Ended June 30, 2012	10
Statement of Cash Flows – For the Fiscal Year Ended June 30, 2012.....	11
Notes to Basic Financial Statements	13
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of Mahoning Unlimited Classroom, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mahoning Unlimited Classroom, Mahoning County, Ohio, as of June 30, 2012, and the respective changes in financial position and cash flows, thereof 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 April 12, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

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

Dave Yost
Auditor of State

April 12, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The management's discussion and analysis of Mahoning Unlimited Classroom's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets were \$561,472 at June 30, 2012.
- The School had operating revenues of \$921,044 and operating expenses of \$1,336,313 for fiscal year 2012. The School also received \$195,758 in federal and state grants and \$198 in interest income during fiscal year 2012. Total change in net assets for the fiscal year was a decrease of \$219,313.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

Statement of Net 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 2012?" The Statement of Net Assets and 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 School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below provides a summary of the School's net assets for fiscal years 2012 and 2011.

	Net Assets	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 562,244	\$ 730,038
Capital assets, net	<u>122,386</u>	<u>156,498</u>
Total assets	<u>684,630</u>	<u>886,536</u>
<u>Liabilities</u>		
Current liabilities	<u>123,158</u>	<u>105,751</u>
Total liabilities	<u>123,158</u>	<u>105,751</u>
<u>Net assets</u>		
Invested in capital assets	122,386	156,498
Restricted	39,985	113,554
Unrestricted	<u>399,101</u>	<u>510,733</u>
Total net assets	<u>\$ 561,472</u>	<u>\$ 780,785</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the School's net assets totaled \$561,472.

At year-end, capital assets represented 17.88% of total assets, compared to 17.65% in 2011. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

A portion of the School's net assets, \$39,985, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$399,101 may be used to meet the School's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	<u>2012</u>	<u>2011</u>
<u>Operating revenues:</u>		
State foundation	\$ 884,907	\$ 1,077,637
Services provided to other entities	<u>36,137</u>	<u>7,857</u>
Total operating revenue	<u>921,044</u>	<u>1,085,494</u>
<u>Operating expenses:</u>		
Personal services	23,028	16,730
Purchased services	1,148,769	1,214,835
Materials and supplies	22,977	26,874
Other	107,427	146,226
Depreciation	<u>34,112</u>	<u>34,113</u>
Total operating expenses	<u>1,336,313</u>	<u>1,438,778</u>
<u>Non-operating revenues:</u>		
Federal and state grants	195,758	351,697
Interest income	<u>198</u>	<u>955</u>
Total non-operating revenues	<u>195,956</u>	<u>352,652</u>
Change in net assets	(219,313)	(632)
Net assets at beginning of year	<u>780,785</u>	<u>781,417</u>
Net assets at end of year	<u>\$ 561,472</u>	<u>\$ 780,785</u>

Overall, both revenues and expenses decreased during fiscal year 2012 due primarily to lower School enrollment. The School's primary source of revenue is foundation payments from the State of Ohio, which accounted for 79.22% of total revenues in 2012, compared to 74.93% in 2011. The School continues to supplement its State foundation revenues by applying for federal and state grants whenever possible.

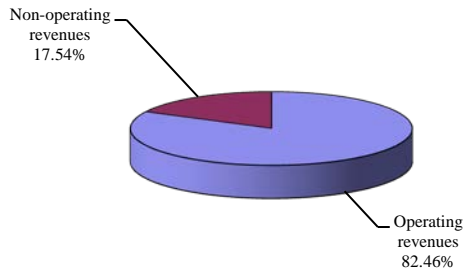
The School's most significant expenses are for purchased services. These expenses are primarily payments to the School's Sponsor (the Mahoning County Educational Service Center). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the School. In addition, the Sponsor provides personnel services to the School under a purchased services basis.

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

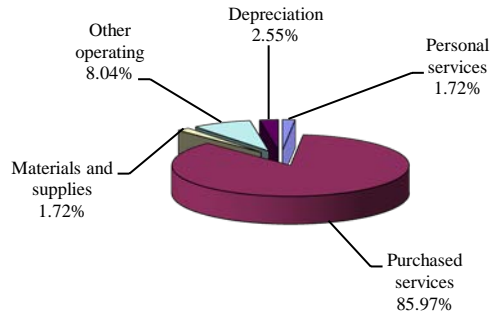
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (UNAUDITED)

The charts below illustrate the revenues and expenses for the School during fiscal 2012 and 2011.

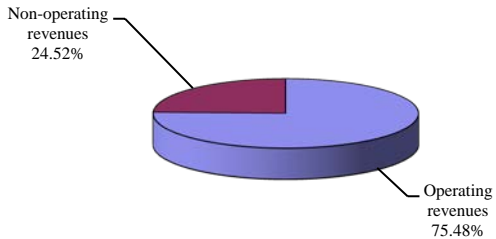
2012 Revenues



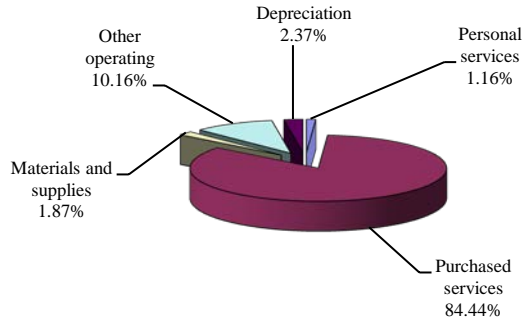
2012 Expenses



2011 Revenues



2011 Expenses



Capital Assets

At June 30, 2012, the School had \$122,386 invested in furniture and equipment, net of accumulated depreciation. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Contacting the School's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 498,825
Receivable:	
Intergovernmental.	63,419
Total current assets	<u>562,244</u>
Non-current assets:	
Capital assets, net.	<u>122,386</u>
Total assets	<u>684,630</u>
Liabilities:	
Current liabilities:	
Accounts payable	17,777
Intergovernmental payable	<u>105,381</u>
Total liabilities	<u>123,158</u>
Net assets:	
Invested in capital assets	122,386
Restricted for:	
State funded programs.	7,000
Federally funded programs.	32,985
Unrestricted	<u>399,101</u>
Total net assets	<u>\$ 561,472</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
State foundation.	\$ 884,907
Services provided to other entities	36,137
Total operating revenues	<u>921,044</u>
Operating expenses:	
Personal services	23,028
Purchased services.	1,148,769
Materials and supplies.	22,977
Other operating expenses	107,427
Depreciation	34,112
Total operating expenses.	<u>1,336,313</u>
Operating loss	<u>(415,269)</u>
Non-operating revenues:	
Federal and state grants	195,758
Interest income.	198
Total non-operating revenues	<u>195,956</u>
Change in net assets	(219,313)
Net assets at beginning of year	<u>780,785</u>
Net assets at end of year	<u><u>\$ 561,472</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from State foundation	\$ 882,302
Cash received from services provided to other entities	36,137
Cash payments for personal services	(23,028)
Cash payments to suppliers for goods and services	(1,125,113)
Cash payments for materials and supplies	(23,209)
Cash payments for other expenses	(110,839)
	<hr/>
Net cash used in operating activities	(363,750)
	<hr/>
Cash flows from noncapital financing activities:	
Federal and state grants	232,610
	<hr/>
Net cash provided by noncapital financing activities	232,610
	<hr/>
Cash flows from investing activities:	
Interest received	198
	<hr/>
Net cash provided by investing activities	198
	<hr/>
Net decrease in cash and cash equivalents	(130,942)
	<hr/>
Cash and cash equivalents at beginning of year	629,767
Cash and cash equivalents at end of year	\$ 498,825
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (415,269)
Adjustments:	
Depreciation	34,112
Changes in assets and liabilities:	
Increase in accounts payable	14,482
Increase in intergovernmental payable	2,925
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Net cash used in operating activities	\$ (363,750)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

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

The Mahoning County ESC sponsored the School during fiscal year 2012. Based on the significant influence the Board of Education of Mahoning County ESC has over the Board of Directors of the School, the School is a component unit of Mahoning County ESC.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (See Note 7). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 105 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict or contradict GASB pronouncements. The School does not apply FASB guidance issued after November 30, 1989. The School's significant accounting policies are described below.

A. Basis of Presentation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Capital Assets and Depreciation

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

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

F. Net 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 the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

G. Intergovernmental Revenues

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

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

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated. The review, which was conducted after fiscal year-end, resulted in an overpayment to the School of \$3,384. This amount is included as an intergovernmental payable on the basic financial statements.

H. Estimates

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

I. Tax Exemption Status

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

NOTE 3 - DEPOSITS

At June 30, 2012, the carrying amount of all School deposits was \$498,825. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$250,000 of the School's bank balance of \$501,991 was covered by the Federal Deposit Insurance Corporation (FDIC), while \$251,991 was exposed to custodial risk as discussed below.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
Furniture and equipment	\$ 341,125	\$ -	\$ -	\$ 341,125
Less: accumulated depreciation	<u>(184,627)</u>	<u>(34,112)</u>	<u>-</u>	<u>(218,739)</u>
Capital assets, net	<u>\$ 156,498</u>	<u>\$ (34,112)</u>	<u>\$ -</u>	<u>\$ 122,386</u>

NOTE 5 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2012, professional liability is provided through the Mahoning County Educational Service Center's Trident Insurance Company insurance plan which has a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible.

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2012, purchased service expenses were as follows:

Professional and technical services	\$ 1,086,282
Property services	36,294
Travel expenses	7,657
Communications	<u>18,536</u>
Total	<u>\$ 1,148,769</u>

NOTE 7 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2011 and ending June 30, 2012, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS \$4,493 for services during fiscal year 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - SERVICE AGREEMENTS (Continued)

B. Mahoning County ESC

The School had a service contract with Mahoning County ESC. This contract outlined the services that would be provided to the School, which include fiscal, payroll, administrative, and teaching services. The School's payments to the Mahoning County ESC for the period July 1, 2011 through June 30, 2012 were as follows:

Instructional	\$ 379,827
Student and staff support	325,304
Administrative	190,151
Fiscal	<u>141,970</u>
Total	<u>\$ 1,037,252</u>

NOTE 8 - CONTINGENCIES

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 9 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School.

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Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of Mahoning Unlimited Classroom, Mahoning County, Ohio (the "School"), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 12, 2013. 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 School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 intend this report solely for the information and use of management, the Governing Board, the Community School's sponsor, and others within the School. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

April 12, 2013



Dave Yost • Auditor of State

MAHONING UNLIMITED CLASSROOM

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 14, 2013**