



**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

REGULAR AUDIT

FOR THE PERIOD ENDING JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Retained Earnings	4
Statement of Cash Flows	5
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Youngstown Community School
Mahoning County
50 Essex Street
Youngstown, Ohio 44502

To the Governing Board:

We have audited the Balance Sheet of Youngstown Community School, Mahoning County, (the School), a division of Developing Potential Inc., as of June 30, 1999 and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the fiscal period September 1, 1998 through June 30, 1999, the initial audit of the School, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youngstown Community School, Mahoning County, a division of Developing Potential Inc., as of June 30, 1999, and the results of its operations and statement of cash flows for the period in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2000 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

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

Jim Petro
Auditor of State

May 22, 2000

Youngstown Community School

Balance Sheet

As of June 30, 1999

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$135,155
Intergovernmental Receivable	<u>2,749</u>

Total Current Assets 137,904

Non-Current Assets:

Fixed Assets (Net of Accumulated Depreciation)	<u>7,706</u>
--	--------------

Total Assets \$145,610

Liabilities and Fund Equity:

Current Liabilities:

Accounts Payable	4,818
Accrued Wages and Benefits	15,327
Intergovernmental Payable	<u>2,524</u>

Total Current Liabilities 22,669

Long-Term Liabilities:

Compensated Absences Payable	<u>5,355</u>
------------------------------	--------------

Total Liabilities 28,024

Fund Equity:

Retained Earnings	
Unreserved	<u>117,586</u>

Total Liabilities and Fund Equity \$145,610

See accompanying notes to the financial statements

Youngstown Community School
*Statement of Revenues, Expenses, and
 Changes in Retained Earnings*
 For the Fiscal Period September 1, 1998 through June 30, 1999

<u>Operating Revenues:</u>	
Foundation Payments	\$143,363
Disadvantaged Pupil Impact Aid	21,642
Charges for Services	3,040
Other Operating Revenues	6,703
<i>Total Operating Revenues</i>	174,748
<u>Operating Expenses:</u>	
Salaries	111,760
Fringe Benefits	28,397
Purchased Services	50,752
Materials and Supplies	24,113
Depreciation	915
Other Operating Expenses	234
<i>Total Operating Expenses</i>	216,171
<i>Operating Loss</i>	(41,423)
<u>Non-Operating Revenues:</u>	
Operating Grants	157,610
Interest	349
Contributions and Donations	1,050
<i>Total Non-Operating Revenues</i>	159,009
<i>Net Income</i>	117,586
<i>Retained Earnings Beginning of Year</i>	_____
<i>Retained Earnings End of Year</i>	\$117,586

See accompanying notes to the financial statements.

Youngstown Community School
Statement of Cash Flows
For the Fiscal Period September 1, 1998 through June 30, 1999

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$165,005
Cash Received from Customers	3,040
Cash Received from Other Operating Sources	6,703
Cash Payments to Suppliers for Goods and Services	(68,421)
Cash Payments to Employees for Services	(91,078)
Cash Payments for Employee Benefits	(27,499)
Cash Payments for Other Operating Expenses	<u>(234)</u>

Net Cash Provided by Operating Activities (12,484)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	154,861
Contributions and Donations	<u>1,050</u>

Net Cash Provided by Noncapital Financing Activities 155,911

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(8,621)</u>
-----------------------------------	----------------

Cash Flows from Investing Activities:

Interest on Investments	<u>349</u>
-------------------------	------------

Net Increase in Cash and Cash Equivalents 135,155

Cash and Cash Equivalents Beginning of Year

Cash and Cash Equivalents End of Year \$135,155

Reconciliation of Operating Loss to Net Cash

Provided by Operating Activities:

Operating Loss (\$41,423)

Adjustments:

Reconciliation of Operating Loss to Net Cash

Provided by Operating Activities:

Depreciation	915
Increase in Liabilities:	
Accounts Payable	4,818
Accrued Wages and Benefits	15,327
Compensated Absences Payable	5,355
Intergovernmental Payable	<u>2,524</u>

Total Adjustments 28,939

Net Cash Provided by Operating Activities (\$12,484)

See accompanying notes to the financial statements

This page intentionally left blank.

**YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Youngstown Community School is a new start-up school as provided for by Ohio Revised Code Section 3314.03 within the Youngstown City School District. The Youngstown Community School is a public school and is independent of the Youngstown City School District. The Youngstown Community School may sue and be sued in its own name, acquire facilities as needed and contract for services necessary for the operation of the School as provided for in Section 3314.01, Ohio Revised Code.

The creation of the School was initially proposed to the Ohio Department of Education, the sponsor, by the Developing Potential Corporation on July 17, 1998. The Ohio Department of Education approved the proposal and entered into a contract with Developing Potential Corporation which provided for the commencement of School operations on September 1, 1998. Developing Potential Corporation qualifies as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Developing Potential also operates the Millcreek Children's Center, a pre-school primarily for children of low-income, working parents. Separate accounting records are maintained for the Millcreek Children's Center and a separate governing authority is accountable for the activities of the Millcreek Children's Center. See Note 10 to the financial statements for a description of transactions between the Youngstown Community School and the Millcreek Children's Center.

The School operates under a seven-member Board of Developers. Of the seven-member Board, two of the Board Members were appointed by Developing Potential Corporation. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, and qualifications of teachers. The Board of Developers controls the School's one instructional/support facility staffed by two noncertified personnel, four certificated full time teaching personnel who provide services to thirty-six students and one full time certified principal.

The financial statements present only the activity and balances of the Youngstown Community School and not Developing Potential Corporation and/or the Millcreek Children's Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The School utilizes enterprise fund accounting. The more significant of the School's accounting policies are described below.

A. Basis Of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) 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.

YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total 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 Rev. Code Chapter 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School is pooled. All monies are maintained in this pool. During fiscal year 1999, investments were limited to non-negotiable certificates of deposits which are reported at cost.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of two hundred fifty dollars. The School does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five to ten years. Improvements are depreciated over the remaining useful lives of the related fixed assets.

**YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program and the State Special Education Program. These programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

G. Compensated Absences

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School's termination policy.

The entire amount of compensated absences is reported as a liability.

H. Operating Lease

The Youngstown Community School leases office space and class room space from the Millcreek Children's Center. The Youngstown Community School has entered into a lease for this space for a period of three years from September 1, 1998 through August 31, 2001. Youngstown Community School is obligated to pay Millcreek Children's Center \$73,600 in the aggregate over the remaining term of the lease with \$36,800 due in the fiscal years ended June 30, 2000 and June 30, 2001, respectively.

The Youngstown Community School and Millcreek Children's Center are divisions of Developing Potential Inc.

3. DEPOSITS AND INVESTMENTS

At fiscal year-end, the carrying amount of the School's deposits was \$135,155 and the bank balance was \$146,238. Of this bank balance, \$100,860 was covered by federal depository insurance and \$45,378 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State 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.

4. RECEIVABLES

Receivables at June 30, 1999, consisted of intergovernmental grants. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs.

5. FIXED ASSETS

A summary of the School's fixed assets at June 30, 1999, follows:

	Totals
Furniture and Equipment	\$8,621
Less Accumulated Depreciation	(915)
Net Fixed Assets	\$7,706

YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 1999, the School contracted with Gallagher Pipino, Incorporated for general liability insurance. Professional liability is protected by Scottsdale Insurance Company with a \$1,000,000 each occurrence limit, \$1,000,000 annual aggregate with a \$250 deductible.

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor of approximately 1%.

C. Employee Benefits

The School has contracted with a private carrier to provide employee medical benefits. The School pays 100 percent of the monthly premium. For fiscal year 1999, the School's premiums were \$241.08 for family and \$132.85 for single coverage per employee per month.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 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 a statutory maximum amount, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 1999 was \$2,039,73.07 percent has been contributed for fiscal year 1999. The amount of \$549, representing the unpaid contribution for fiscal year 1999, is recorded as a liability.

**YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to STRS for the fiscal year ended June 30, 1999 was \$11,392. A total of 100 percent has been contributed for fiscal year 1999.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, the School has no employees or members of the governing board which contribute to Social Security.

8. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$1,699 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

**YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll. For the School, the amount contributed to fund health care benefits during the 1999 fiscal year equaled \$680.

The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. COMPENSATED ABSENCES

The criteria for determining sick leave benefits are derived from negotiated agreements. Teachers earn sick leave at the rate of one and one half days per month. Sick leave may be accumulated to a maximum of 180 days for certified employees. Upon retirement, employees receive payment for the total sick leave accumulation.

10. RELATED PARTY TRANSACTIONS

The Youngstown Community School paid \$16,051 in rent to the Millcreek Children's Center. The Millcreek Children's Center and the Youngstown Community School are divisions of Developing Potential Inc.

The Youngstown Community School also borrowed \$15,000 from the Millcreek Children's Center for operations during the fiscal year ended June 30, 1999 and repaid this loan prior to June 30, 1999.

11. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School. During the fiscal year ended June 30, 1999, the School received \$143,363 of school foundation support for its general fund.

**YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

11. STATE SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, ". . .the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven ". . .major areas warrant[ing] further attention, study, and development by the General Assembly . . .", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least to June 15, 2001.

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

12. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 1999.

B. Litigation

The School is not party to any legal proceedings.

13. SUBSEQUENT EVENTS

The Youngstown Community School borrowed \$11,442 from the Millcreek Children's Center for the purchase of desks on July 9, 1999. The loan was repaid on January 17, 2000. The Millcreek Children's Center and the Youngstown Community School are divisions of Developing Potential Inc.

**YOUNGSTOWN COMMUNITY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

14. PURCHASED SERVICES

For the fiscal period of September 1, 1998 through June 30, 1999, purchased service expenses were payments for services rendered by various vendors as follows:

Accounting Services	\$24,971
Rent	16,051
Contracted Food Service	8,904
Garbage Removal	418
Grant Writing Service	<u>408</u>
Total	<u>\$50,752</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

Youngstown Community School
Mahoning County
50 Essex Street
Youngstown, Ohio 44502

To the Governing Board:

We have audited the financial statements of the Youngstown Community School for the fiscal period September 1, 1998 through June 30, 1999, and have issued our report thereon dated May 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Youngstown Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the School in a separate letter dated May 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Youngstown Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Youngstown Community School in a separate letter dated May 22, 2000.

Youngstown Community School
Mahoning County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page -2-

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, sweeping flourish at the end.

Jim Petro
Auditor of State

May 22, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

YOUNGSTOWN COMMUNITY SCHOOL

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 25, 2000**