



**Auditor of State
Betty Montgomery**

YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the Balance Sheet of the Youngstown Community School, Mahoning County, (the School), a division of Developing Potential Inc., as of June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows as of and for the year ended June 30, 2002. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youngstown Community School, Mahoning County, a division of Developing Potential Inc., as of June 30, 2002, and the results of its operations and its 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 February 4, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the School, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 4, 2003

Youngstown Community School

Balance Sheet

As of June 30, 2002

Assets

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$582,838
Receivables:	
Accounts	566
Intergovernmental	<u>24,809</u>

Total Current Assets 608,213

Non-Current Asset

Fixed Assets (Net of Accumulated Depreciation)	<u>4,108,024</u>
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Total Assets \$4,716,237

Liabilities and Fund Equity

Current Liabilities

Accounts Payable	\$1,840
Accrued Wages and Benefits	85,404
Intergovernmental Payable	<u>7,750</u>

Total Current Liabilities 94,994

Long-Term Liabilities

Compensated Absences Payable	47,028
Capital Lease Payable	<u>3,960,519</u>

Total Long-Term Liabilities 4,007,547

Total Liabilities 4,102,541

Fund Equity

Retained Earnings	
Unreserved	<u>613,696</u>

Total Liabilities and Fund Equity \$4,716,237

See accompanying notes to the financial statements

Youngstown Community School
*Statement of Revenues, Expense and
 Changes in Retained Earnings
 For the Year Ended June 30, 2002*

Operating Revenues	
Foundation Payments	\$1,184,102
Charges for Services	25,872
Other Operating Revenues	<u>72</u>
<i>Total Operating Revenues</i>	<u>1,210,046</u>
Operating Expenses	
Salaries	689,535
Fringe Benefits	134,521
Purchased Services	189,792
Materials and Supplies	182,232
Depreciation	157,057
Other Operating Expenses	<u>20,310</u>
<i>Total Operating Expenses</i>	<u>1,373,447</u>
<i>Operating Loss</i>	<u>(163,401)</u>
Non-Operating Revenues	
State and Federal Grants	417,720
Interest	9,838
Loss on Disposal of Fixed Assets	(5,166)
Interest and Fiscal Charges	<u>(245,254)</u>
<i>Total Non-Operating Revenues</i>	<u>177,138</u>
<i>Net Income</i>	13,737
<i>Retained Earnings Beginning of Year</i>	<u>599,959</u>
<i>Retained Earnings End of Year</i>	<u><u>\$613,696</u></u>

See accompanying notes to the financial statements

Youngstown Community School
Statement of Cash Flows
For the Year Ended June 30, 2002

Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$1,185,038
Cash Received from Customers	25,960
Cash Received from Other Operating Sources	72
Cash Payments to Suppliers for Goods and Services	(370,184)
Cash Payments to Employees for Services	(627,036)
Cash Payments for Employee Benefits	(134,822)
Cash Payments for Other Operating Expenses	<u>(20,310)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>58,718</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Grants	<u>418,205</u>
 Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(106,695)
Capital Lease Principal Payments	(174,746)
Capital Lease Interest Payments	<u>(245,254)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(526,695)</u>
 Cash Flows from Investing Activities	
Interest on Investments	<u>9,838</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(39,934)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>622,772</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$582,838</u></u>

(continued)

Youngstown Community School
Statement of Cash Flows (continued)
For the Year Ended June 30, 2002

***Reconciliation of Operating Loss to Net Cash
Used for Operating Activities***

<i>Operating Loss</i>	<u>(\$163,401)</u>
<i>Adjustments:</i>	
Depreciation	157,057
Decrease in Accounts Receivable	84
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	1,840
Accrued Wages and Benefits	34,710
Compensated Absences Payable	27,793
Intergovernmental Payable	<u>635</u>
<i>Total Adjustments</i>	<u>222,119</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$58,718</u></u>

See accompanying notes to the financial statements

Youngstown Community School

Notes to the Financial Statements

For the Year Ended June 30, 2002

Note 1 - Description of the School and Reporting Entity

Youngstown Community School (the School) is a school as provided for by Ohio Revised Code Sections 3314.03 and 1702 located within the boundaries of the Youngstown City School District. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. 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.

The creation of the School was initially proposed to the Ohio Department of Education by Developing Potential Inc. on July 17, 1998. The Ohio Department of Education approved the proposal and entered into a contract with Developing Potential Incorporated which provided for the commencement of School operations on September 8, 1998. Developing Potential Incorporated qualifies as a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. Developing Potential Incorporated also operates the Mill Creek Children's Center, a pre-school primarily for children of low-income, working parents. Separate accounting records are maintained for the Mill Creek Children's Center and a separate governing authority is accountable for the activities of the Mill Creek Children's Center.

The School operates under a seven-member Board of Developers. Of the seven-member Board, one of the Board members was appointed by Developing Potential Incorporated. 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 eleven non-certified personnel, sixteen certificated full time teaching personnel, six certified part time personnel, one full time certified principal, and one full time licensed treasurer who provide services to one hundred ninety-two students.

These financial statements present only the financial activity and balances of the Youngstown Community School and not Developing Potential Inc. or the Mill Creek Children's Center.

Note 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 more significant of the School's accounting policies are described below.

A. Basis Of Presentation

The School utilizes enterprise fund accounting. Enterprise fund 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

For the Year Ended June 30, 2002

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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 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. At June 30, 2002, the School did not have any investments.

For purposes of the statement of cash flows and for presentation on the 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 and the building is depreciated over an estimated useful life of thirty years.

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. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate

Youngstown Community School

Notes to the Financial Statements

For the Year Ended June 30, 2002

student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in the overpayment to the School in the amount of \$936. This amount will be deducted from their February 2003 foundation payment and is included as an intergovernmental payable on the balance sheet.

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

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$150,000 to be received in equal installments over three years in order to offset start-up costs of the school. This program is recognized as non-operating revenue in the accompanying financial statements.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Employees of the School cannot carry over vacation balances from one year to the next.

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.

Note 3 - Deposits and Investments

At fiscal year-end, the carrying amount of the School's deposits was \$582,838 and the bank balance was \$615,900. \$200,000 of the bank balance was covered by federal depository insurance. \$415,900 was collateralized by the financial institution's public entity deposit pool.

Note 4 - Receivables

Receivables at June 30, 2002, consisted of intergovernmental grants and accounts receivable. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs.

Youngstown Community School

Notes to the Financial Statements

For the Year Ended June 30, 2002

Note 5 - Fixed Assets

A summary of the School's fixed assets at June 30, 2002, follows:

Building	\$4,105,953
Furniture and Equipment	<u>163,267</u>
Total Fixed Assets	4,269,220
Less Accumulated Depreciation	<u>161,196</u>
Net Fixed Assets	<u><u>\$4,108,024</u></u>

There was no significant construction in progress at June 30, 2002.

Note 6 – Capital Lease

During 2002, the School entered into a lease agreement with Developing Potential Incorporated for building and furniture and equipment. The School's lease obligation met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases". The building and furniture and equipment has been capitalized in the amounts of \$4,105,953 and \$29,312, respectively, the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Year ending June 30,	
2003	\$420,000
2004	420,000
2005	420,000
2006	420,000
2007	420,000
2008 - 2012	2,100,000
2013 - 2016	<u>1,680,000</u>
Total minimum lease payments	5,880,000
Less: Amount representing interest	<u>1,919,481</u>
Present value of minimum lease payments	<u><u>\$3,960,519</u></u>

Note 7 - 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 2002, the School contracted with Gallagher Pipino, Incorporated for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$2,000,000 annual aggregate with a \$250 deductible.

Youngstown Community School

Notes to the Financial Statements

For the Year Ended June 30, 2002

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

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 one percent.

C. Employee Benefits

The School has contracted with Principal Life Insurance Company to provide employee medical benefits. The School pays 100 percent of the monthly premium for single coverage but has no family plan. For fiscal year 2002, the School's premiums varied per employee. An employee may add a spouse or child but the employee pays the entire premium.

Note 8 - 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 system. 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 State Statute per 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 5.5 percent was 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 years ended June 30, 2002, 2001 and 2000 were \$4,912, \$5,823 and \$3,208, respectively; 100 percent has been contributed for fiscal years 2002, 2001, and 2000.

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, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting

Youngstown Community School

Notes to the Financial Statements

For the Year Ended June 30, 2002

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 years ended June 30, 2002, 2001 and 2000 were \$41,840, \$18,869 and \$9,915, respectively; 93.97 percent has been contributed for fiscal years 2002 and 100 percent for fiscal years 2001 and 2000. \$3,721 representing the unpaid contribution for fiscal year 2002, is recorded as a liability.

Note 9 - 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$19,819 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits during the 2002 fiscal year equaled \$11,461.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Youngstown Community School

Notes to the Financial Statements

For the Year Ended June 30, 2002

Note 10 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment, but does not carry forward from year to year. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate 1.25 days per month in a twelve month period. Sick leave may be accumulated to a maximum of 180 days for certified and classified employees. Upon retirement, employees receive payment for the total sick leave accumulation.

Note 11 - 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, 2002.

B. Litigation

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

Note 12 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Youngstown Community School

*Notes to the Financial Statements
For the Year Ended June 30, 2002*

Note 13 – Purchased Services

For the fiscal period of July 1, 2001 through June 30, 2002, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$17,719
Speech Services	13,725
Health Aid Services	22,490
Fiscal Services	9,720
Payroll Fees	400
Security Services	261
Audit Fees	8,146
Contracted Food Services	49,031
Transportation Services	1,333
Policies and Bylaws Fees	2,439
ACCESS Fees	1,386
Phone Maintenance	12,440
Repair and Maintenance	19,158
Utilities	30,728
Garbage Removal	<u>816</u>
Total	<u><u>\$189,792</u></u>

YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Breakfast Program	05PU-2002	10.553	\$31,485	\$31,485
National School Lunch Program	LLP4-2002	10.555	<u>57,222</u>	<u>57,222</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>88,707</u>	<u>88,707</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6BSF-2002-P	84.027	<u>8,042</u>	<u>8,042</u>
Total Special Education Cluster			<u>8,042</u>	<u>8,042</u>
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2002	84.010	122,683	114,524
Drug-Free Schools Grant	DRS1-2002	84.186	1,160	1,520
Title II	MSS1-2002	84.281	2,083	700
Start Up Grant	CHS1-2001	84.282	150,000	190,097
Innovative Educational Program Strategies	C2S1-2002	84.298	281	117
Title VI-R	CRS1-2002	84.340	<u>14,191</u>	<u>16,210</u>
Total Department of Education			<u>298,440</u>	<u>331,210</u>
Totals			<u>\$387,147</u>	<u>\$419,917</u>

The accompanying notes to this schedule are an integral part of this schedule.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Cash receipts from the U.S. Department of Agriculture are commingled with State Grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 Youngstown Community School, Mahoning County, (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

Youngstown Community School
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required By *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, the Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 4, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Governing Board:

Compliance

We have audited the compliance of Youngstown Community School, Mahoning County, (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 4, 2003

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I – CFDA #84.010 Start Up Grant – CFDA #84.282
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	None
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**Auditor of State
Betty Montgomery**

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
MARCH 27, 2003**