



**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Mahoning Unlimited Classroom, Mahoning County, prepared by Canter & Associates, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mahoning Unlimited Classroom is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 28, 2011

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**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY**

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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 (the "School"), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 *Government Auditing Standard*, 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 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, as of June 30, 2010, 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 February 2, 2011 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

CANTER & ASSOCIATES

A handwritten signature in blue ink that reads "Canter & Assoc." with a stylized flourish at the end.

Poland, Ohio

February 2, 2011

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010. 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 2010 are as follows:

- In total, net assets were \$781,417 at June 30 2010.
- The School had operating revenues of \$980,574 and operating expenses of \$1,427,617 for fiscal year 2010. The School also received \$318,516 in federal and state grants and \$5,567 in interest income during fiscal year 2010. Total change in net assets for the fiscal year was a decrease of \$122,960.

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 2010? 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 7 and 8 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 9 of this report.

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The table below provides a summary of the School's net assets for fiscal years 2010 and 2009.

	Net Assets	
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets	\$ 729,461	\$ 767,696
Capital assets, net	<u>190,611</u>	<u>222,924</u>
Total assets	<u>920,072</u>	<u>990,620</u>
<u>Liabilities</u>		
Current liabilities	<u>138,655</u>	<u>86,243</u>
Total liabilities	<u>138,655</u>	<u>86,243</u>
<u>Net assets</u>		
Invested in capital assets	190,611	222,924
Restricted	18,583	33,323
Unrestricted	<u>572,223</u>	<u>648,130</u>
Total net assets	<u>\$ 781,417</u>	<u>\$ 904,377</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School's net assets totaled \$781,417.

At year-end, capital assets represented 20.72% of total assets, compared to 22.50% in 2009. 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.

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

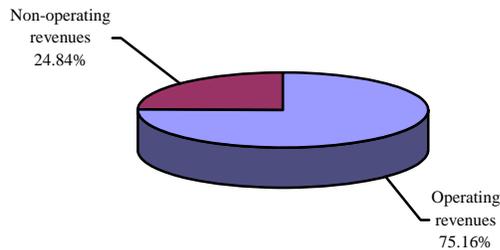
The table below shows the changes in net assets for fiscal years 2010 and 2009.

Change in Net Assets

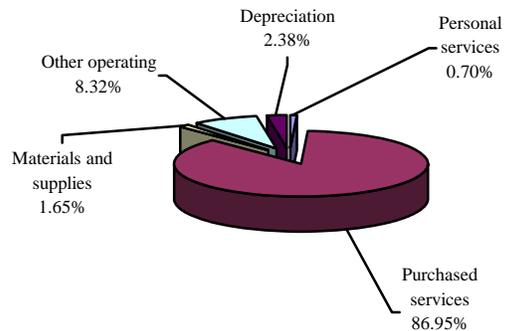
	<u>2010</u>	<u>2009</u>
<u>Operating revenues:</u>		
State foundation	\$ 949,774	\$ 1,272,725
Services provided to other entities	<u>30,800</u>	<u>51,065</u>
Total operating revenue	<u>980,574</u>	<u>1,323,790</u>
<u>Operating expenses:</u>		
Personal services	10,008	62,615
Purchased services	1,241,244	1,310,592
Materials and supplies	23,585	34,203
Other	118,755	154,781
Depreciation	<u>34,025</u>	<u>33,942</u>
Total operating expenses	<u>1,427,617</u>	<u>1,596,133</u>
<u>Non-operating revenues:</u>		
Federal and state grants	318,516	120,972
Interest income	<u>5,567</u>	<u>13,339</u>
Total non-operating revenues	<u>324,083</u>	<u>134,311</u>
Change in net assets	(122,960)	(138,032)
Net assets at beginning of year	<u>904,377</u>	<u>1,042,409</u>
Net assets at end of year	<u>\$ 781,417</u>	<u>\$ 904,377</u>

The charts below illustrate the revenues and expenses for the School during fiscal 2010 and 2009.

2010 Revenues

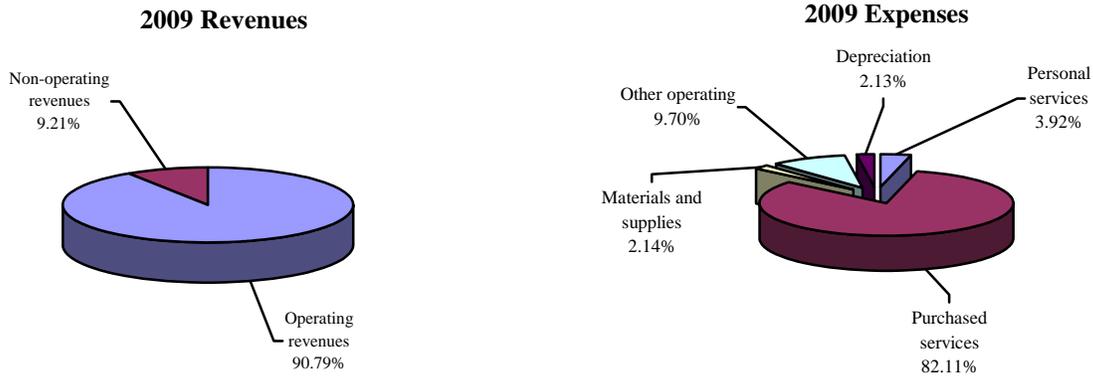


2010 Expenses



**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**



Capital Assets

At June 30, 2010, the School had \$190,611 invested in furniture and equipment. 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 leaning 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.

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 Ms. Cynthia Lengyel, Treasurer, Mahoning Unlimited Classroom, 100 DeBartolo Place, Suite 170, Youngstown, Ohio 44512-7019.

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:	
Current assets:	
Cash and cash equivalents	\$ 717,741
Receivables:	
Intergovernmental	11,720
Total current assets	<u>729,461</u>
Non-current assets:	
Capital assets, net.	<u>190,611</u>
Total assets	<u>920,072</u>
Liabilities:	
Current liabilities:	
Accounts payable	623
Intergovernmental payable.	95,949
Unearned revenue	<u>42,083</u>
Total liabilities.	<u>138,655</u>
Net assets:	
Invested in capital assets	190,611
Restricted for:	
State funded programs.	2,000
Federally funded programs	16,583
Unrestricted.	<u>572,223</u>
Total net assets	<u><u>\$ 781,417</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
State foundation.	\$ 949,774
Services provided to other entities.	30,800
Total operating revenues	<u>980,574</u>
 Operating expenses:	
Personal services.	10,008
Purchased services.	1,241,244
Materials and supplies	23,585
Other operating expenses	118,755
Depreciation	34,025
Total operating expenses.	<u>1,427,617</u>
 Operating loss	 <u>(447,043)</u>
 Non-operating revenues:	
Federal and state grants	318,516
Interest income	5,567
Total nonoperating revenues.	<u>324,083</u>
 Change in net assets.	 (122,960)
 Net assets at beginning of year	 <u>904,377</u>
Net assets at end of year.	<u><u>\$ 781,417</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from State foundation	\$ 957,152
Cash received from other operations	21,100
Cash payments for personal services.	(10,008)
Cash payments to suppliers for goods and services	(1,244,099)
Cash payments for materials and supplies	(23,192)
Cash payments for other expenses	(113,342)
	(412,389)
Net cash used in operating activities	(412,389)
Cash flows from noncapital financing activities:	
Federal and state grants	393,515
	393,515
Net cash provided by noncapital financing activities.	393,515
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,712)
	(1,712)
Net cash used in capital and related financing activities.	(1,712)
Cash flows from investing activities:	
Interest received	5,567
	5,567
Net cash provided by investing activities	5,567
Net decrease in cash and cash equivalents	(15,019)
Cash and cash equivalents at beginning of year.	732,760
Cash and cash equivalents at end of year	\$ 717,741
	\$ 717,741
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (447,043)
Adjustments:	
Depreciation	34,025
Changes in assets and liabilities:	
* Increase in intergovernmental receivable.	(9,700)
Decrease in accounts payable	(72,453)
Increase in intergovernmental payable	82,782
	82,782
Net cash used in operating activities.	\$ (412,389)

Footnote:

* Intergovernmental receivables overall decrease of \$23,216 had two components: operating and non-operating. The cash flows reconciliation only provides a comparison for operating activities, therefore non-operating revenues are not considered in the reconciliation. An increase of \$9,700 was accounted for in the operating revenues, while the remaining decrease of \$32,916 was from federal and state grants and was accounted for under non-capital financing activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010. 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 176 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
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 Section 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

Cash received by the School is maintained in a demand deposit account.

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
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 \$7,378. This amount is included as an intergovernmental payable on the basic financial statements.

H. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grant revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue.

I. 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.

J. 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 ESC and the Mahoning County Career and Technical Center.

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2010, the carrying amount of all School deposits was \$717,741. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$250,000 of the School's bank balance of \$806,512 was covered by the Federal Deposit Insurance Corporation, while \$556,512 was exposed to custodial risk as discussed below.

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2010</u>
Furniture and equipment	\$ 339,413	\$ 1,712	\$ -	\$ 341,125
Less: accumulated depreciation	<u>(116,489)</u>	<u>(34,025)</u>	<u>-</u>	<u>(150,514)</u>
Capital assets, net	<u>\$ 222,924</u>	<u>\$ (32,313)</u>	<u>\$ -</u>	<u>\$ 190,611</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 2010, professional liability is provided through the Mahoning County Educational Service Center's Argonaut 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, 2010, purchased service expenses were as follows:

Professional and technical services	\$ 1,180,624
Property services	36,431
Travel expenses	6,582
Communications	<u>17,607</u>
Total	<u>\$ 1,241,244</u>

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System (ACCESS)

The School entered into a one-year agreement commencing on July 1, 2009 and ending June 30, 2010, 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 \$254.69 per month for services during fiscal year 2010.

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. The School made payments of \$1,061,528 to the Mahoning County ESC for fiscal year 2010 fiscal, payroll, administrative, and teaching services.

NOTE 8 - CONTINGENCY - GRANTS

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2010.

NOTE 9 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2010, the School has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the School.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the School.

**MAHONING UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 9 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the School.



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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *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 the Mahoning Unlimited Classroom, Mahoning County, (the "School") as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 2, 2011. 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.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Governing Board, and the Community School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

CANTER & ASSOCIATES

A handwritten signature in blue ink that reads "Canter & Assoc" with a stylized flourish at the end.

Poland, Ohio

February 2, 2011



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
APRIL 7, 2011**