

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Members of the Board  
Youngstown Community School  
50 Essex Street  
Youngstown, OH 44502

We have reviewed the *Independent Auditor's Report* of the Youngstown Community School, Mahoning County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Youngstown Community School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 3, 2015

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**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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# JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

## **INDEPENDENT AUDITOR’S REPORT**

Members of the Board  
Youngstown Community School  
Youngstown, Ohio 44502

The Honorable Dave Yost  
Auditor of State  
State of Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Youngstown Community School, Mahoning County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Youngstown Community School, Ohio’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youngstown Community School, Ohio, as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Youngstown Community School, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Youngstown Community School, Ohio's internal control over financial reporting and on 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Youngstown Community School, Ohio's internal control over financial reporting and compliance.

**James G. Zupka**  
**CPA, President**

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.12.17 09:32:13 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

November 10, 2014

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**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The discussion and analysis of the Youngstown Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. 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 fiscal year 2014 are as follows:

- In total, net position was \$2,981,129 at June 30, 2014.
- The School had operating revenues of \$2,531,341 and operating expenses of \$3,198,059 during fiscal year 2014. The School also received \$769,360 in federal and State grants, \$160,871 in donations, and \$2,919 in interest income, as well as reporting \$59,640 in interest and fiscal charges and a loss on disposal of capital assets in the amount of \$2,602 during fiscal year 2014. The total change in net position for the fiscal year was an increase of \$204,190.

**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 position and statement of revenues, expenses and changes in net position 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 Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows***

These statements look at all financial transactions and ask the question, "How did the School do financially during fiscal year 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position 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 10 and 11 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 12 of this report.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below provides a summary of the School's net position at June 30, 2014 and June 30, 2013.

|                                  | <u>2014</u>         | <u>2013</u>         |
|----------------------------------|---------------------|---------------------|
| <b>Net Position</b>              |                     |                     |
| <b><u>Assets</u></b>             |                     |                     |
| Current assets                   | \$ 1,785,518        | \$ 1,729,790        |
| Capital assets, net              | <u>2,441,179</u>    | <u>2,591,708</u>    |
| Total assets                     | <u>4,226,697</u>    | <u>4,321,498</u>    |
| <b><u>Liabilities</u></b>        |                     |                     |
| Current liabilities              | 727,762             | 649,086             |
| Non-current liabilities          | <u>517,806</u>      | <u>895,473</u>      |
| Total liabilities                | <u>1,245,568</u>    | <u>1,544,559</u>    |
| <b><u>Net Position</u></b>       |                     |                     |
| Net investment in capital assets | 1,651,854           | 1,442,023           |
| Restricted                       | 99,473              | -                   |
| Unrestricted                     | <u>1,229,802</u>    | <u>1,334,916</u>    |
| Total net position               | <u>\$ 2,981,129</u> | <u>\$ 2,776,939</u> |

Over time, net position can serve as a useful indicator of a government's financial position. The School's financial position at June 30, 2014 has improved compared to the prior year as a result of a decrease in liabilities, specifically and primarily the capital lease obligation. At June 30, 2014, the School's assets exceeded liabilities by \$2,981,129.

At year-end, capital assets represented 57.76% of total assets. Capital assets consisted of buildings and improvements, and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending. The School's net investment in capital assets at June 30, 2014 was \$1,651,854. A portion of the School's net position, \$99,473, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,229,802 may be used to meet the School's ongoing obligations.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2014 and 2013.

| <b>Change in Net Position</b>                    |              |              |                      |
|--|--------------|--------------|----------------------|
|  | 2014         | 2013         | Percentage<br>Change |
| <b><u>Operating Revenues:</u></b>                |              |              |                      |
| Foundation payments                              | \$ 2,475,516 | \$ 2,503,955 | (1.14) %             |
| Charges for services                             | 11,202       | 3,884        | 188.41 %             |
| Other  | 44,623       | 17,902       | 149.26 %             |
| Total operating revenues                         | 2,531,341    | 2,525,741    | 0.22 %               |
| <b><u>Operating Expenses:</u></b>                |              |              |                      |
| Salaries and wages                               | 1,829,387    | 1,929,870    | (5.21) %             |
| Fringe benefits                                  | 510,622      | 541,496      | (5.70) %             |
| Contract services                                | 475,094      | 506,187      | (6.14) %             |
| Materials and supplies                           | 189,566      | 190,124      | (0.29) %             |
| Other  | 32,047       | 31,720       | 1.03 %               |
| Depreciation                                     | 161,343      | 162,061      | (0.44) %             |
| Total operating expenses                         | 3,198,059    | 3,361,458    | (4.86) %             |
| <b><u>Non-operating Revenues (Expenses):</u></b> |              |              |                      |
| Federal and State grants                         | 769,360      | 804,738      | (4.40) %             |
| Donations  | 160,871      | 194,149      | (17.14) %            |
| Interest income                                  | 2,919        | 3,575        | (18.35) %            |
| Interest and fiscal charges                      | (59,640)     | (80,732)     | (26.13) %            |
| Loss on disposal of capital assets               | (2,602)      | -            | 100.00 %             |
| Total non-operating revenues (expenses)          | 870,908      | 921,730      | (5.51) %             |
| Change in net position                           | 204,190      | 86,013       | 137.39 %             |
| Net position at beginning of year                | 2,776,939    | 2,690,926    | 3.20 %               |
| Net position at end of year                      | \$ 2,981,129 | \$ 2,776,939 | 7.35 %               |

During fiscal year 2014, the School's net position increased by \$204,190 from \$2,776,939 to \$2,981,129. This increase in net position is the result of steady revenues continuing to outpace the School's expenses in fiscal year 2014.

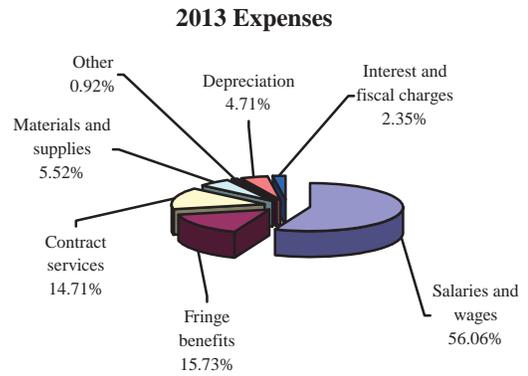
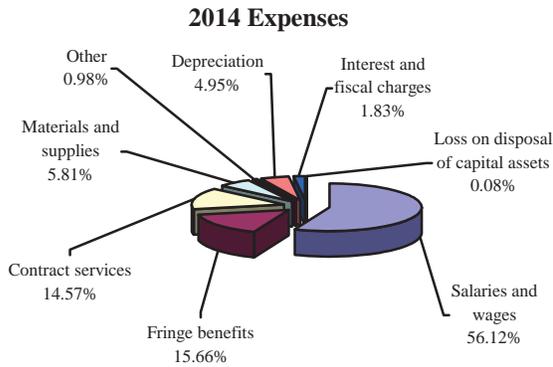
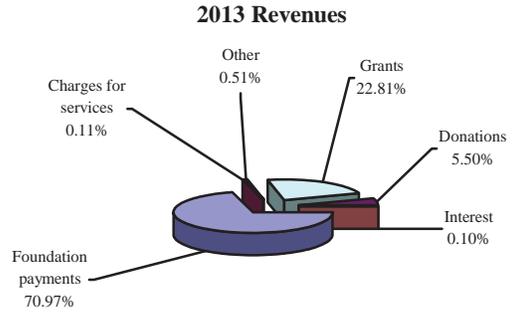
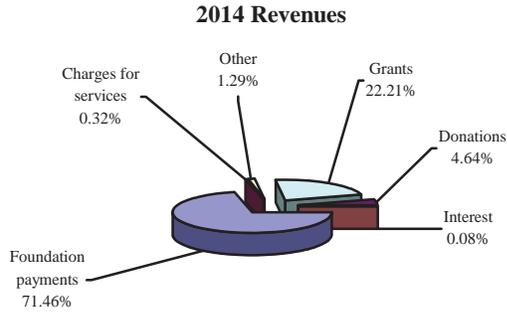
The slight decrease in overall revenues is due to a decline in federal and State grant funding, as well as a decrease in donations received by the School during fiscal year 2014.

The minor decrease in overall expenses is a result of the School's effort to maintain financial stability through conservative spending.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The charts below illustrate the revenues and expenses for the School during fiscal years 2014 and 2013.



**Capital Assets**

At June 30, 2014, the School had \$2,441,179 in buildings and improvements, and furniture and equipment, net of accumulated depreciation. See Note 5 to the basic financial statements for detail on capital assets.

**Debt Administration**

At June 30, 2014, the School had \$789,325 in capital lease obligations outstanding, with \$382,765 due within one year and \$406,560 due in more than one year. See Note 7 to the basic financial statements for detail on debt administration.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Current Financial Related Activities**

The School was founded by Developing Potential, Inc., which is now known as Sister Jerome's Schools, Inc. The School currently operates as an independent, non-profit Ohio public charter school, sponsored by the Mahoning County Educational Service Center.

The School is funded through the State's foundation program, as it has no tax base to draw upon and cannot charge tuition, levy taxes, or issue bonds secured by tax revenues. The School may apply for grants and solicit funding support from public and private sources. The School currently participates in the federal E-Rate program.

Students benefit to a great degree from federal programs, which enhance the overall curriculum. The School 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. Michelle Murphy, Treasurer, Youngstown Community School, 50 Essex Street, Youngstown, Ohio, 44502.

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**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2014

|   |                     |
|---|---------------------|
| <b>Assets:</b>  |                     |
| Current assets:   |                     |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 1,640,436        |
| Receivables:  |                     |
| Accounts . . . . .                                      | 527                 |
| Intergovernmental. . . . .                              | 137,322             |
| Prepayments . . . . .                                   | <u>7,233</u>        |
| Total current assets . . . . .                          | <u>1,785,518</u>    |
| Non-current assets:                                     |                     |
| Depreciable capital assets, net . . . . .               | <u>2,441,179</u>    |
| Total assets. . . . .                                   | <u>4,226,697</u>    |
| <b>Liabilities:</b>                                     |                     |
| Current liabilities:                                    |                     |
| Accounts payable. . . . .                               | 4,476               |
| Accrued wages and benefits . . . . .                    | 235,886             |
| Compensated absences payable . . . . .                  | 10,627              |
| Retirement incentive payable. . . . .                   | 40,000              |
| Pension obligation payable. . . . .                     | 37,235              |
| Intergovernmental payable . . . . .                     | 16,773              |
| Capital lease obligation. . . . .                       | <u>382,765</u>      |
| Total current liabilities . . . . .                     | <u>727,762</u>      |
| Non-current liabilities:                                |                     |
| Compensated absences payable . . . . .                  | 111,246             |
| Capital lease obligation. . . . .                       | <u>406,560</u>      |
| Total non-current liabilities . . . . .                 | <u>517,806</u>      |
| Total liabilities . . . . .                             | <u>1,245,568</u>    |
| <b>Net position:</b>                                    |                     |
| Net investment in capital assets. . . . .               | 1,651,854           |
| Restricted for:   |                     |
| Federally funded programs. . . . .                      | 74,417              |
| Other purposes . . . . .                                | 25,056              |
| Unrestricted . . . . .                                  | <u>1,229,802</u>    |
| Total net position. . . . .                             | <u>\$ 2,981,129</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|   |                     |
|---|---------------------|
| <b>Operating revenues:</b>                        |                     |
| Foundation payments . . . . .                     | \$ 2,475,516        |
| Charges for services. . . . .                     | 11,202              |
| Other . . . . .                                   | 44,623              |
| Total operating revenues . . . . .                | <u>2,531,341</u>    |
| <b>Operating expenses:</b>                        |                     |
| Salaries and wages. . . . .                       | 1,829,387           |
| Fringe benefits. . . . .                          | 510,622             |
| Contract services . . . . .                       | 475,094             |
| Materials and supplies . . . . .                  | 189,566             |
| Other. . . . .                                    | 32,047              |
| Depreciation . . . . .                            | 161,343             |
| Total operating expenses. . . . .                 | <u>3,198,059</u>    |
| Operating loss . . . . .                          | <u>(666,718)</u>    |
| <b>Non-operating revenues (expenses):</b>         |                     |
| Federal and State grants. . . . .                 | 769,360             |
| Interest income . . . . .                         | 2,919               |
| Donations. . . . .                                | 160,871             |
| Interest and fiscal charges . . . . .             | (59,640)            |
| Loss on disposal of capital assets . . . . .      | (2,602)             |
| Total non-operating revenues (expenses) . . . . . | <u>870,908</u>      |
| Change in net position . . . . .                  | 204,190             |
| <b>Net position at beginning of year. . . . .</b> | <u>2,776,939</u>    |
| <b>Net position at end of year . . . . .</b>      | <u>\$ 2,981,129</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|   |                     |
|---|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |
| Cash received from State foundation payments . . . . .                                | \$ 2,471,899        |
| Cash received from charges for services . . . . .                                     | 11,202              |
| Cash received from other operations . . . . .   | 43,023              |
| Cash payments for personal services . . . . .   | (2,273,377)         |
| Cash payments for contract services . . . . .   | (476,026)           |
| Cash payments for materials and supplies. . . . .                                     | (189,063)           |
| Cash payments for other operations . . . . .  | (31,447)            |
|   | (443,789)           |
| Net cash used in<br>operating activities . . . . .                                    | (443,789)           |
| <b>Cash flows from noncapital financing activities:</b>                               |                     |
| Federal and State grants . . . . .  | 825,476             |
| Donations . . . . .   | 177,023             |
|   | 1,002,499           |
| Net cash provided by noncapital<br>financing activities . . . . .                     | 1,002,499           |
| <b>Cash flows from capital and related<br/>financing activities:</b>                  |                     |
| Acquisition of capital assets. . . . .  | (13,416)            |
| Principal retirement. . . . .   | (360,360)           |
| Interest and fiscal charges. . . . .  | (59,640)            |
|   | (433,416)           |
| Net cash used in capital and related<br>financing activities . . . . .                | (433,416)           |
| <b>Cash flows from investing activities:</b>  |                     |
| Interest received . . . . .   | 2,919               |
|   | 2,919               |
| Net cash provided by investing activities. . . . .                                    | 2,919               |
| Net increase in cash and cash equivalents. . . . .                                    | 128,213             |
| <b>Cash and cash equivalents at beginning of year. . . . .</b>                        | <b>1,512,223</b>    |
| <b>Cash and cash equivalents at end of year . . . . .</b>                             | <b>\$ 1,640,436</b> |
|   | <b>\$ 1,640,436</b> |
| <b>Reconciliation of operating loss to net<br/>cash used in operating activities:</b> |                     |
| Operating loss . . . . .  | \$ (666,718)        |
| Adjustments:  |                     |
| Depreciation . . . . .  | 161,343             |
| Changes in assets and liabilities:  |                     |
| (Increase) in accounts receivable . . . . .   | (54)                |
| (Increase) in intergovernmental receivable. . . . .                                   | (534)               |
| (Increase) in prepayments . . . . .   | (175)               |
| Decrease in materials and supplies inventory . . . . .                                | 980                 |
| Increase in accounts payable . . . . .  | 2,239               |
| Increase in accrued wages and benefits . . . . .                                      | 6,622               |
| (Decrease) in pension obligation payable . . . . .                                    | (5,437)             |
| Increase in intergovernmental payable. . . . .  | 2,220               |
| Increase in compensated absences payable. . . . .                                     | 15,725              |
| Increase in retirement incentive payable. . . . .                                     | 40,000              |
|   | (443,789)           |
| Net cash used in operating activities . . . . .                                       | \$ (443,789)        |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

Youngstown Community School (the "School") is a school as provided for by Ohio Revised Code Chapters 3314 and 1702 within 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., which is now known as Sister Jerome's Schools, Inc., on July 17, 1998. The Ohio Department of Education approved the proposal and entered into a contract with Developing Potential, Inc., which provided for the commencement of School operations on September 8, 1998. On July 2, 2001, the School became its own incorporation. The School operates as an independent non-profit Ohio public charter school.

The School operates under a seven-member Board of Developers (the "Board"). Of the seven-member Board, one of the Board members was appointed by Sister Jerome's Schools, Inc. 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 controls the School's one instructional/support facility staffed by 37 certified personnel and 13 classified personnel to provide services to 321 students.

The School participates in a jointly governed organization, the Area Cooperative Computerized Educational Service System. This organization is discussed in Note 15 to the basic financial statements.

**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's significant accounting policies are described below.

**A. Basis of Presentation**

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) 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**B. Measurement Focus and Basis of Accounting**

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 formally prescribe a budgetary process for the School, but the School is required to adopt a five-year spending plan in accordance with State statute and to submit an annual budget at the request of the Board.

**D. Cash and Investments**

The School maintains two depository accounts and a repurchase agreement. All funds of the School are maintained in these accounts. The depository accounts and repurchase agreement are presented on the statement of net position as "equity in pooled cash and cash equivalents". During fiscal year 2014, investments were limited to the repurchase agreement, which is reported at cost.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market value as of the date donated. The School maintains a capitalization threshold of \$500. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. The building is depreciated over an estimated useful life of thirty years. Improvements are depreciated over the remaining useful lives of the related capital assets. Equipment is depreciated over five to ten years.

**F. Operating Revenues and Expenses**

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Intergovernmental Revenues**

The School currently participates in the State foundation program, the Federal Part B IDEA program, the Federal Title I program, the Federal Race to the Top program, and various other State and federal grant programs. Revenues received from the State foundation program 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 fiscal 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 expense 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 identifies the amount of any overpayment or underpayment to the School. As a result of the review, the School is entitled to \$3,617 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

**H. 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. Therefore, the liability for compensated absences payable reported on the statement of net position does not include a component for vacation liability.

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 total liability reported on the statement of net position for compensated absences payable is \$121,873.

**I. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**J. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**K. Inventory**

On the financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method and consist of general instructional, office and custodial materials and supplies. The School had no inventory as of June 30, 2014.

**L. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Cash on Hand**

At fiscal year-end, the School had \$150 in undeposited cash on hand, which is included in the basic financial statements as part of "equity in pooled cash and cash equivalents".

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all School deposits was \$201,764. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, all of the School’s bank balance of \$230,741 was covered by the Federal Deposit Insurance Corporation (FDIC).

**C. Investments**

As of June 30, 2014, the School had the following investment and maturity:

| <u>Investment type</u> | <u>Fair Value</u>   | <u>Investment Maturity</u><br><u>6 months or less</u> |
|------------------------|---------------------|---|
| Repurchase agreement   | <u>\$ 1,438,522</u> | <u>\$ 1,438,522</u>                                   |

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The School’s investment in the federal agency securities that underlie the repurchase agreement, was rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The School’s investment policy does not specifically address credit risk beyond requiring the School to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the School’s investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the School. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The School has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2014:

| <u>Investment type</u> | <u>Fair Value</u>   | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| Repurchase agreement   | <u>\$ 1,438,522</u> | <u>100.00</u>     |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2014:

|  |                     |
|--|---------------------|
| <u>Cash and cash equivalents per note</u>                      |                     |
| Carrying amount of deposits                                    | \$ 201,764          |
| Investment   | 1,438,522           |
| Cash on hand   | <u>150</u>          |
| Total  | <u>\$ 1,640,436</u> |
| <u>Cash and cash equivalents per statement of net position</u> | <u>\$ 1,640,436</u> |

**NOTE 5 - CAPITAL ASSETS**

A summary of the School's capital assets at June 30, 2014 follows:

|   | <u>Balance<br/>July 1, 2013</u> | <u>Additions</u>    | <u>Deletions</u>  | <u>Balance<br/>June 30, 2014</u> |
|---|---------------------------------|---------------------|-------------------|----------------------------------|
| <b><u>Capital assets:</u></b>             |                                 |                     |                   |                                  |
| <i>Capital assets, being depreciated:</i> |                                 |                     |                   |                                  |
| Buildings and improvements                | \$ 4,105,953                    | \$ -                | \$ -              | \$ 4,105,953                     |
| Furniture and equipment                   | <u>312,440</u>                  | <u>13,416</u>       | <u>(34,733)</u>   | <u>291,123</u>                   |
| Total capital assets, being depreciated   | <u>4,418,393</u>                | <u>13,416</u>       | <u>(34,733)</u>   | <u>4,397,076</u>                 |
| <i>Less: accumulated depreciation:</i>    |                                 |                     |                   |                                  |
| Buildings and improvements                | (1,642,380)                     | (136,865)           | -                 | (1,779,245)                      |
| Furniture and equipment                   | <u>(184,305)</u>                | <u>(24,478)</u>     | <u>32,131</u>     | <u>(176,652)</u>                 |
| Total accumulated depreciation            | <u>(1,826,685)</u>              | <u>(161,343)</u>    | <u>32,131</u>     | <u>(1,955,897)</u>               |
| Capital assets, net                       | <u>\$ 2,591,708</u>             | <u>\$ (147,927)</u> | <u>\$ (2,602)</u> | <u>\$ 2,441,179</u>              |

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**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2014 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A list of the receivables reported on the statement of net position follows:

|                   |                   |
|-------------------|-------------------|
| Accounts          | \$ 527            |
| Intergovernmental | <u>137,322</u>    |
| Total             | <u>\$ 137,849</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 7 - CAPITAL LEASES**

In a prior fiscal year, the School entered into a lease agreement with Developing Potential, Inc., which is now known as Sister Jerome’s Schools, Inc., for its building. The School’s lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The building has been capitalized in the amount of \$4,105,953, which is the present value of the minimum lease payments at the inception of the lease. The net book value of the building as of June 30, 2014 was \$2,326,708.

During fiscal year 2014, the School made principal and interest payments in the amounts of \$360,360 and \$59,640, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments:

| <u>Year Ending June 30,</u>                    |                   |
|--|-------------------|
| 2015   | \$ 420,000        |
| 2016   | <u>420,000</u>    |
| Total future minimum lease payments            | 840,000           |
| Less: amount representing interest             | <u>(50,675)</u>   |
| Present value of future minimum lease payments | <u>\$ 789,325</u> |

At June 30, 2014, a liability for the capital lease obligation in the amount of \$789,325 is reported on the statement of net position. Of this amount, \$382,765 is current and due within one year, and \$406,560 is non-current and due in more than one year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - OTHER EMPLOYEE BENEFITS**

The criteria for determining vacation leave and sick leave benefits are derived from School policies and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon 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 do not earn vacation time. Certified and classified employees earn sick leave at a rate of 1.25 days per month in a twelve-month period. Certified employees can accumulate a sick leave balance up to a maximum of 180 days and are paid 25% of this balance. Classified employees can accumulate a sick leave balance up to a maximum of 180 days and are paid 25% of this balance. Upon retirement, and with a minimum of ten years' service, employees receive a severance payment based on these criteria.

The School offered a one-time retirement bonus to certified teaching personnel during fiscal year 2014. In order to receive the bonus, employees had to submit written notification to the School by May 12, 2014 of their intent to retire effective no later than July 1, 2014 in accordance with the State Teachers Retirement System. Four employees took advantage of the retirement bonus, which consisted of a \$10,000 lump-sum payment made on or before August 1, 2014.

**NOTE 9 - 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 2014, the School contracted with Philadelphia Indemnity Insurance Company for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$3,000,000 annual aggregate, a \$0 deductible for general liability insurance, and a \$5,000 deductible for professional liability insurance. The School contracted with Philadelphia Indemnity Insurance Company for business personal property with a limit of \$700,000 at 50 Essex Street, a limit of \$30,000 at 44 Essex Street, and a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

**B. Workers' Compensation Rating Plan**

For fiscal year 2014, the School participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Benefits**

The School has contracted with the Mahoning County Schools Employee Insurance Consortium (See Note 16) for employee medical, prescription drug, dental, and vision benefits, which are provided through Medical Mutual. The School has also contracted with Anthem Life for life insurance benefits. The School pays 95% of the monthly premium for single coverage. An employee may add a spouse or child or family, but the employee pays 75% of the monthly premium.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School 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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$46,642, \$55,941 and \$51,623, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$184,010, \$194,219 and \$178,857, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$33,325 made by the School and \$26,184 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Board of Developers have elected Social Security. The School's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$7,825, \$7,048 and \$7,807, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,706, \$3,160 and \$3,049, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$14,155, \$14,940 and \$13,758, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - CONTINGENCIES**

**A. Grants**

The School receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School.

**B. Litigation**

The School is not party to legal proceedings which, in the opinion of School management, will have a material effect, if any, on the financial condition of the School.

**NOTE 13 - CONTRACT SERVICES**

For the fiscal year ended June 30, 2014, contract services expenses were as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 170,436        |
| Property services                   | 95,252            |
| Travel expenses                     | 2,282             |
| Communications                      | 14,000            |
| Utilities                           | 65,097            |
| Contracted services                 | 115,227           |
| Pupil transportation                | <u>12,800</u>     |
| Total                               | <u>\$ 475,094</u> |

**NOTE 14 - FEDERAL TAX EXEMPT STATUS**

On March 14, 2002, the School was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 15 - JOINTLY GOVERNED ORGANIZATION**

The Area Cooperative Computerized Educational Service System (ACCESS) is a computer network which provides data services to twenty-six school districts, two educational service centers, twenty non-public schools, and two special education regional resource centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member schools. Each of the member schools supports ACCESS based upon a per-pupil charge, which was \$44.75 for fiscal year 2014. The Youngstown Community School fee was \$14,812 for fiscal year 2014. Of this amount, the School paid \$4,386 to ACCESS and \$10,426 was paid by the federal E-Rate program. ACCESS is governed by an Assembly consisting of the Superintendents or other designees of the member school districts. The Assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting and designating management. All ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio, 44512.

**NOTE 16 - PUBLIC ENTITY RISK POOL**

The Mahoning County Schools Employee Insurance Consortium (the "Consortium") is a shared risk pool comprised of various schools within Mahoning County. The Consortium is governed by an Assembly, which consists of one representative from each participating school (usually the Superintendent or designee). The Assembly elects officers for one-year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program or Cluster Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>   | <b>Expenditures</b> |
|--|------------------------------------|-------------------|---------------------|
| <b><u>U.S. Department of Agriculture</u></b>                                   |                                    |                   |                     |
| <i>Passed through the Ohio Department of Education</i>                         |                                    |                   |                     |
| <i>Child Nutrition Cluster</i>   |                                    |                   |                     |
| National School Breakfast Program  | 10.553                             | \$ 89,348         | \$ 89,348           |
| National School Lunch Program  | 10.555                             | <u>158,874</u>    | <u>158,874</u>      |
| <i>Total Child Nutrition Cluster</i>   |                                    | <u>248,222</u>    | <u>248,222</u>      |
| Fresh Fruit and Vegetable Program  | 10.582                             | <u>13,034</u>     | <u>16,303</u>       |
| <b>Total U.S. Department of Agriculture</b>                                    |                                    | <u>261,256</u>    | <u>264,525</u>      |
| <b><u>U.S. Department of Education</u></b>                                     |                                    |                   |                     |
| <i>Passed through the Ohio Department of Education</i>                         |                                    |                   |                     |
| Title I-Grants to Local Educational Agencies                                   | 84.010                             | <u>378,580</u>    | <u>307,893</u>      |
| Special Education Grants to States   | 84.027                             | <u>67,402</u>     | <u>66,674</u>       |
| Improving Teacher Quality State Grants   | 84.367                             | <u>19,898</u>     | <u>19,898</u>       |
| ARRA - Race to the Top   | 84.395                             | <u>41,909</u>     | <u>39,474</u>       |
| <b>Total U.S. Department of Education</b>                                      |                                    | <u>507,789</u>    | <u>433,939</u>      |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                    |                                    | <u>\$ 769,045</u> | <u>\$ 698,464</u>   |

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Youngstown Community School and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public 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**

Members of the Board  
Youngstown Community School  
Youngstown, Ohio 44502

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the 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, the financial statements of the Youngstown Community School, Mahoning County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Youngstown Community School, Ohio's basic financial statements and have issued our report thereon dated November 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Youngstown Community School, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Youngstown Community School, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Youngstown Community School, Ohio's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Youngstown Community School, Ohio's financial statements are free from 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*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Youngstown Community School, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**James G. Zupka**  
**CPA, President**  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.12.17 09:33:43 -05'00'

November 10, 2014

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Members of the Board  
Youngstown Community School  
Youngstown, Ohio 44502

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the Youngstown Community School, Mahoning County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Youngstown Community School, Ohio's major federal program for the year ended June 30, 2014. The Youngstown Community School, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Youngstown Community School, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Youngstown Community School, Ohio'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Youngstown Community School, Ohio's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Youngstown Community School, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Youngstown Community School, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Youngstown Community School, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Youngstown Community School, Ohio's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**James G. Zupka,**

**CPA, President**

James G. Zupka, CPA, Inc.

Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.12.17 09:34:01 -05'00'

November 10, 2014

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2014**

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**1. SUMMARY OF AUDITOR'S RESULTS**

|            |  |   |
|------------|--|---|
| 2014(i)    | Type of Financial Statement Opinion  | Unmodified  |
| 2014(ii)   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?  | No  |
| 2014(ii)   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?                                   | No  |
| 2014(iii)  | Was there any reported material noncompliance at the financial statement level (GAGAS)?  | No  |
| 2014(iv)   | Were there any material internal control weaknesses reported for major federal programs?   | No  |
| 2014(iv)   | Were there any significant deficiencies in internal control reported for major federal programs?   | No  |
| 2014(v)    | Type of Major Program's Compliance Opinion   | Unmodified  |
| 2014(vi)   | Are there any reportable findings under .510(a)?   | No  |
| 2014(vii)  | Major Programs (list):<br><br>Title I - Grants to Local Educational Agencies - CFDA #84.010<br>Special Education Grants to States - CFDA #84.027 |   |
| 2014(viii) | Dollar Threshold: Type A\B Program   | Type A: \$300,000 or more<br>Type B: All others less than \$300,000 |
| 2014(ix)   | Low Risk Auditee?  | No  |

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**YOUNGSTOWN COMMUNITY SCHOOL  
MAHONING COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

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The prior audit report, as of June 30, 2013, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# Dave Yost • Auditor of State

**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 17, 2015**