



**Auditor of State
Betty Montgomery**

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets as of June 30, 2005.....	7
Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30, 2005.....	8
Statement of Cash Flows for the Year Ended June 30, 2005.....	9
Notes to Basic Financial Statements	11
Federal Awards Expenditures Schedule.....	21
Notes to Federal Awards Expenditures Schedule	22
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	25
Schedule of Findings	27

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Youngstown Community School
Mahoning County
50 Essex St.
Youngstown, Ohio 44502

To the Governing Board:

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, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Youngstown Community School, Mahoning County, Ohio, as of June 30, 2005, 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 May 5, 2006, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

May 5, 2006

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
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, 2005. 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 2005 are as follows:

- In total, net assets were \$1,290,204 at June 30, 2005.
- The School had operating revenues of \$2,437,675 and operating expenses of \$2,658,377 for fiscal year 2005. The School also received \$647,544 in federal and state grants during fiscal year 2005. Total change in net assets for the fiscal year was an increase of \$347,672.

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 Statement of Cash Flows

These statements look at all financial transactions and ask the question, "How did we do financially during 2005?" The Statement of Net Assets and the 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 meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
UNAUDITED

The table below provides a summary of the School's net assets for fiscal year 2005 and 2004.

	Net Assets	
	<u>2005</u>	<u>Restated 2004</u>
<u>Assets</u>		
Current assets	\$ 1,368,653	\$ 996,831
Capital assets, net	<u>3,712,406</u>	<u>3,845,039</u>
Total assets	<u>5,081,059</u>	<u>4,841,870</u>
<u>Liabilities</u>		
Current liabilities	436,146	394,884
Long term liabilities	<u>3,354,709</u>	<u>3,504,454</u>
Total liabilities	<u>3,790,855</u>	<u>3,899,338</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	344,050	267,276
Restricted	2,776	6,878
Unrestricted	<u>943,378</u>	<u>668,378</u>
Total net assets	<u>\$ 1,290,204</u>	<u>\$ 942,532</u>

Over time, net assets can serve as a useful indicator of a government's financial position. The School's financial position at June 30, 2005 has improved compared to the prior year as a result of an increase in assets, specifically and primarily equity in pooled cash and cash equivalents, and a decrease in liabilities. At June 30, 2005, the School's assets exceeded liabilities by \$1,290,204.

At year-end, capital assets represented 73.06% of total assets. Capital assets consisted of buildings and improvements, and equipment and furniture. Capital assets are used to provide services to the students and are not available for future spending. The amount invested in capital assets, net of related debt at June 30, 2005 was \$344,050. A portion of the District's net assets, \$2,776, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$943,378 may be used to meet the District's ongoing obligations.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
UNAUDITED

The table below shows the changes in net assets for fiscal years 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Percentage Change</u>
<u>Operating Revenues:</u>			
Foundation payments	\$ 2,380,837	\$ 1,878,483	26.74 %
Charges for services	15,115	15,473	(2.31) %
Fees	35,469	29,745	19.24 %
Other	<u>6,254</u>	<u>7,448</u>	(16.03) %
Total operating revenue	<u>2,437,675</u>	<u>1,931,149</u>	26.23 %
<u>Operating Expenses:</u>			
Salaries and wages	1,466,350	1,137,091	28.96 %
Fringe benefits	448,682	323,535	38.68 %
Contract services	319,049	262,307	21.63 %
Materials and supplies	221,879	314,931	(29.55) %
Other	38,520	25,994	48.19 %
Depreciation	<u>163,897</u>	<u>160,835</u>	1.90 %
Total operating expenses	<u>2,658,377</u>	<u>2,224,693</u>	19.49 %
<u>Non-operating revenues:</u>			
Federal and state grants	647,544	675,994	(4.21) %
Donations	119,936	102,000	17.58 %
Interest income	11,487	4,868	135.97 %
Interest and fiscal charges	(210,593)	(222,853)	(5.50) %
Loss on disposal of capital assets	<u>-</u>	<u>(1,595)</u>	100.00 %
Total non-operating revenues	<u>568,374</u>	<u>558,414</u>	1.78 %
Change in net assets	347,672	264,870	31.26 %
Net assets at beginning of year	<u>942,532</u>	<u>677,662</u>	39.09 %
Net assets at end of year	<u>\$ 1,290,204</u>	<u>\$ 942,532</u>	36.89 %

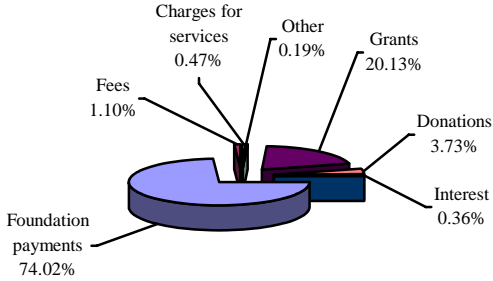
During fiscal 2005, the School's net assets increased by \$347,672, from \$942,532 to \$1,290,204. This increase in net assets is a result of an increase in revenues, specifically and primarily foundation payments

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

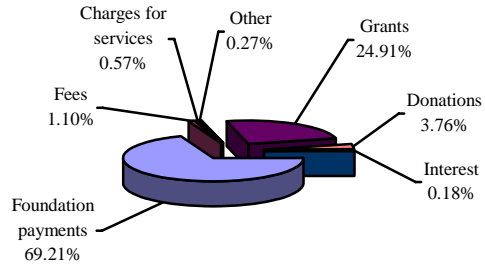
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
UNAUDITED**

The charts below illustrate the revenues and expenses for the School during fiscal years 2005 and 2004.

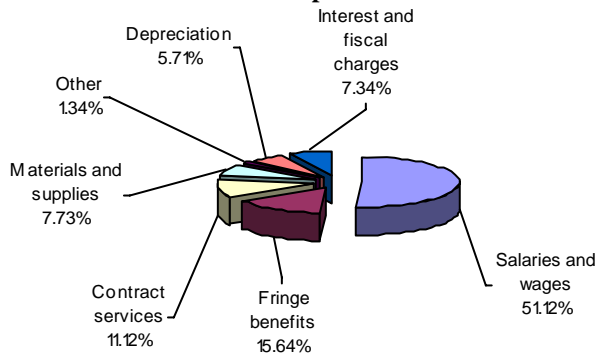
2005 Revenues



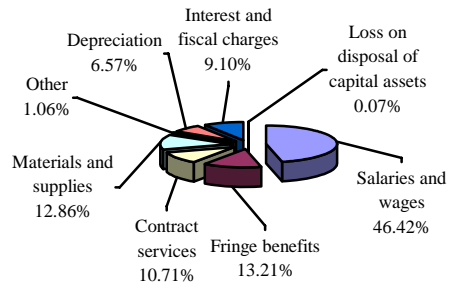
2004 Revenues



2005 Expenses



2004 Expenses



Current Financial Related Activities

The School was founded by Developing Potential Inc. The School currently operates as an independent, non-profit Ohio public charter school, sponsored by the Ohio Department of Education until December 31, 2004. Starting January 1, 2005, the School's new sponsor was 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 can not 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets:	
<i>Current Assets:</i>	
Equity in pooled cash and cash equivalents. . .	\$ 1,281,025
Receivables:	
Accounts	3,173
Intergovernmental	73,979
Prepayments	2,791
Materials and supplies inventory.	<u>7,685</u>
Total current assets	1,368,653
<i>Non-Current Assets:</i>	
Depreciable capital assets, net	<u>3,712,406</u>
Total assets	<u>5,081,059</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts payable.	2,353
Accrued wages and benefits	181,992
Intergovernmental payable	27,674
Current compensated absences payable.	1,703
Current portion of capital lease obligation	<u>222,424</u>
Total current liabilities	<u>436,146</u>
<i>Long-term liabilities:</i>	
Compensated absences payable	208,777
Capital lease obligation	<u>3,145,932</u>
Total long-term liabilities	<u>3,354,709</u>
Total liabilities	<u>3,790,855</u>
Net Assets:	
Invested in capital assets, net of related debt.	344,050
Restricted for:	
State funded programs	2,236
Federal funded programs	540
Unrestricted	<u>943,378</u>
Total net assets.	<u>\$ 1,290,204</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Operating revenues:	
Foundation payments	\$ 2,380,837
Charges for services.	15,115
Fees	35,469
Other	6,254
Total revenue	<u>2,437,675</u>
Operating expenses:	
Salaries and wages	1,466,350
Fringe benefits	448,682
Purchased services.	319,049
Materials and supplies	221,879
Other.	38,520
Depreciation	163,897
Total expenses	<u>2,658,377</u>
Operating loss	<u>(220,702)</u>
Non-operating revenues (expenses):	
Federal and state grants	647,544
Donations	119,936
Interest income.	11,487
Interest and fiscal charges	(210,593)
Total nonoperating revenues (expenses).	<u>568,374</u>
Change in net assets	347,672
Net assets at beginning of year.	<u>942,532</u>
Net assets at end of year	<u><u>\$ 1,290,204</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:	
Cash received from foundation payments	\$ 2,380,837
Cash received from charges for services	17,505
Cash received from fees	32,296
Cash received from other operations.	6,284
Cash payments for personal services.	(1,808,267)
Cash payments for purchased services	(326,968)
Cash payments for materials and supplies	(225,518)
Cash payments for other operations	(38,520)
	37,649
Net cash provided by operating activities	
	37,649
Cash flows from noncapital financing activities:	
Federal and state grants.	691,832
Donations.	119,936
	811,768
Net cash provided by noncapital financing activities	
	811,768
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(31,264)
Principal retirement.	(209,407)
Interest and fiscal charges.	(210,593)
	(451,264)
Net cash used in capital and related financing activities	
	(451,264)
Cash flows from investing activities:	
Interest received	11,487
	11,487
Net cash provided by investing activities	
	11,487
Net increase in cash and cash equivalents	409,640
Cash and cash equivalents at beginning of year . . .	871,385
Cash and cash equivalents at end of year.	\$ 1,281,025
	1,281,025
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (220,702)
Adjustments:	
Depreciation.	163,897
Changes in assets and liabilities:	
Increase in accounts receivable	(753)
Increase in materials and supplies inventory	(943)
Increase in prepayments	(4,774)
Decrease in accounts payable.	(4,729)
Increase in accrued wages and benefits	30,475
Increase in intergovernmental payable.	796
Increase in compensated absences payable	74,382
	74,382
Net cash provided by operating activities.	\$ 37,649
	37,649

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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. 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. Of the seven-member Board, one of the Board members was appointed by Developing Potential 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 of Developers controls the School's one instructional/support facility staffed by 42 certified personnel and 14 non-certified personnel to provide services to 341 students.

The School participates in a jointly governed organization, the Access Council of Governments. 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The School has elected not to apply these FASB Statements and Interpretations. 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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 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 does not prescribe a budgetary process for the School.

D. Cash and Cash Equivalents

The School maintains an interest bearing depository account. All funds of the School are maintained in this account. This interest bearing depository account is presented on the Statement of Net Assets as "Equity in Pooled Cash and Cash Equivalents".

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 \$250. 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. 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 resulted in the discovery of an overpayment to the School in the amount of \$407.

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 Assets 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 for compensated absences payable is \$210,480, and is reported on the Statement of Net Assets. Of the total liability, \$1,703 is current and due within one year, and \$208,777 is long-term and due in more than one year.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

J. 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 & COMPLIANCE

Change in Accounting Principles

For fiscal year 2005, the School has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. GASB Statement No. 40 also establishes and modifies disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the basic financial statements of the School, however additional note disclosure can be found in Note 4.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash on Hand

At 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".

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all School deposits was \$1,280,875. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$200,000 of the School's bank balance of \$1,306,027 was covered by Federal Deposit Insurance Corporation, while \$1,106,027 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5 - CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2005 follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/05</u>
Capital assets:				
<i>Capital assets, being depreciated:</i>				
Building and improvements	\$ 4,105,953	\$ -	\$ -	\$ 4,105,953
Furniture and equipment	<u>216,532</u>	<u>31,264</u>	<u>-</u>	<u>247,796</u>
Total capital assets, being depreciated	<u>4,322,485</u>	<u>31,264</u>	<u>-</u>	<u>4,353,749</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(410,594)	(136,866)	-	(547,460)
Furniture and equipment	<u>(66,852)</u>	<u>(27,031)</u>	<u>-</u>	<u>(93,883)</u>
Total accumulated depreciation	<u>(477,446)</u>	<u>(163,897)</u>	<u>-</u>	<u>(641,343)</u>
Governmental activities capital assets, net	<u>\$ 3,845,039</u>	<u>\$ (132,633)</u>	<u>\$ -</u>	<u>\$ 3,712,406</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2005 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 summary of the receivables reported on the Statement of Net Assets follows:

Accounts	\$ 3,173
Intergovernmental	<u>73,979</u>
Total	<u>\$ 77,152</u>

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

NOTE 7 - CAPITAL LEASES

In a prior fiscal year, the School entered into a lease agreement with Developing Potential, Inc. for its building, and equipment and furniture. The School's lease agreement met the criteria of a capital lease as defined by Financial Accounting Standards Board (FASB) Statement No. 13 "Accounting for Leases". The building, and equipment and furniture have been capitalized in the amounts of \$4,105,953 and \$29,312, respectively, the present value of the minimum lease payments at the inception of the lease. The book value as of June 30, 2005 was \$3,558,493 and \$9,771, respectively. During fiscal year 2005, the School made \$209,407 in principal payments and \$210,593 in interest payments.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 7 - CAPITAL LEASES - (Continued)

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>	
2006	\$ 420,000
2007	420,000
2008	420,000
2009	420,000
2010	420,000
2011 - 2015	2,100,000
2016	<u>420,000</u>
Total future minimum lease payments	4,620,000
Less: amount representing interest	<u>(1,251,644)</u>
Present value of future minimum lease payment	<u>\$ 3,368,356</u>

At June 30, 2005, a liability for the capital lease obligation in the amount of \$3,368,356 is reported on the Statement of Net Assets. Of this amount, \$222,424 is current and due within one year, and \$3,145,932 is long-term and due in more than one year.

NOTE 8 - COMPENSATED ABSENCES

The criteria for determining vacation and severance benefits are derived from School policies and State laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment, but does not carry forward from year to year. Teachers 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 100% 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 to a maximum of 45 days. Upon retirement, employees receive a severance payment based on these criteria.

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 2005, the School contracted with American International Group for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$2,000,000 annual aggregate, a \$0 deductible for general liability insurance, and a \$5,000 deductible for professional liability insurance. The School contracted with Selective Insurance Company for business personal property with a limit of \$453,000 at 50 Essex Street, a limit of \$10,000 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 9 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross salary by a factor of approximately one percent.

C. Employee Benefits

The School has contracted with Medical Mutual to provide employee medical benefits. The School pays 100 percent of the monthly premium for single coverage but has no family plan. For fiscal year 2005, the School's premium was fixed for a single employee. An employee may add a spouse or child, but the employee pays 75 percent of the premium.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$31,151, \$22,476 and \$23,324, respectively; 91.46% has been contributed for fiscal year 2005, and 100% for the fiscal years 2004 and 2003. \$2,661 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 21, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$149,225, \$111,299 and \$78,531, respectively; 88.56% has been contributed for fiscal year 2005, and 100% for the fiscal years 2004 and 2003. \$17,074 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability. Contributions to the DC and Combined Plans for fiscal 2005 were \$2,092 made by the School and \$15,893 made by plan members.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$11,479 for fiscal year 2005.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. For the 2005 fiscal year, the School paid \$14,180 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits.

NOTE 12 - CONTINGENCIES

A. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2005.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging Ohio's Community (i.e., Charter) Schools program violates the State's Constitution and State laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the School is not presently determinable.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 13 – PURCHASED SERVICES

For the fiscal year ended June 30, 2005, purchased service expenses were as follows:

Professional and technical services	\$ 62,319
Property services	82,794
Travel expenses	8,616
Communications	8,124
Utilities	68,432
Contracted services	81,653
Pupil transportation services	<u>7,111</u>
Total	<u>\$ 319,049</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.

NOTE 15 – JOINTLY GOVERNED ORGANIZATION

Access Council of Governments

The Access Council of Governments (COG) is a computer network which provides data services to twenty-three school Schools. 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 governments of these schools supports COG based upon a per pupil charge, which was \$39 for fiscal year 2005. Youngstown Community School paid \$4,108 to COG during fiscal year 2005. COG 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 COG including budgeting, appropriating, contracting and designating management. All of COG 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.

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education: Nutrition Cluster:				
School Breakfast Program	05PU-2005	10.553	\$78,594	\$69,066
National School Lunch Program	LLP4-2005	10.555	<u>125,140</u>	<u>109,862</u>
Total Department of Agriculture - Nutrition Cluster			<u>203,734</u>	<u>178,928</u>
UNITED STATES DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education: Special Education Cluster:				
Special Education Grants to States (IDEA Part B) - 2004	6BSF-2004	84.027	8,762	6,210
(IDEA Part B) - 2005	6BSF-2005	84.027	65,670	65,670
Special Education Preschool Grants	PGS1-2005	84.173	<u>744</u>	<u>744</u>
Total Special Education Cluster			75,176	72,624
Grants to Local Educational Agencies (ESEA Title I) - 2004	C1S1-2004	84.010	67,241	50,108
(ESEA Title I) - 2005	C1S1-2005	84.010	<u>261,732</u>	<u>261,732</u>
Total - Special Education Grants to States			328,973	311,840
Safe and Drug Free Schools and Communities	DR-S1-2005	84.186	5,684	5,144
Improving Teacher Quality State Grants:				
Title II - A	TRS1-2004	84.367	6,953	4,233
Title II - A	TRS1-2005	84.367	<u>25,453</u>	<u>25,453</u>
Total Title II - A			32,406	29,686
Education Technology State Grants:				
Title II - D	TJS1-2004	84.318		2,196
Title II - D	TJS1-2005	84.318	<u>8,273</u>	<u>8,273</u>
Total Title II - D			8,273	10,469
Innovative Educational Program Strategies	C2S1-2004	84.298		926
Innovative Educational Program Strategies	C2S1-2005	84.298	<u>1,467</u>	<u>1,467</u>
			1,467	2,393
Total Department of Education			<u>451,979</u>	<u>432,156</u>
Totals			<u>\$655,713</u>	<u>\$611,084</u>

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

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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



Auditor of State Betty Montgomery

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

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

To the Governing Board:

We have audited the financial statements of the Youngstown Community School, Mahoning County (the School) as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Youngstown Community School
Mahoning County
Independent Accountants' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

We intend this report solely for the information and use of the audit committee, management, Governing Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 5, 2006



Auditor of State Betty Montgomery

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

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

To the Governing Board:

Compliance

We have audited the compliance of Youngstown Community School, Mahoning County (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, Youngstown Community School complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Governing Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 5, 2006

**YOUNGSTOWN COMMUNITY SCHOOL
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – CFDA #10.553 & 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

YOUNGSTOWN COMMUNITY SCHOOL

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 13, 2006**