



**Auditor of State
Betty Montgomery**

**THE UNLIMITED CLASSROOM
MAHONING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

The Unlimited Classroom
Mahoning County
100 DeBartolo Place, Suite 115
Youngstown, Ohio 44512

To the Governing Board:

We have audited the accompanying financial statements of The Unlimited Classroom, 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 The Unlimited Classroom, 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 31, 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.

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 31, 2006

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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

The discussion and analysis of The Unlimited Classroom'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 \$573,396 at June 30 2005.
- The School had operating revenues of \$1,000,238 and operating expenses of \$1,225,390 for fiscal year 2005. The School also received \$230,962 in federal and state grants during fiscal year 2005. Total change in net assets for the fiscal year was an increase of \$11,233.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 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 is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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

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

	Net Assets	
	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets	\$ 515,474	\$ 604,302
Capital assets, net	<u>67,805</u>	<u>10,537</u>
Total assets	<u>583,279</u>	<u>614,839</u>
<u>Liabilities</u>		
Current liabilities	<u>9,883</u>	<u>52,676</u>
Total liabilities	<u>9,883</u>	<u>52,676</u>
<u>Net Assets</u>		
Invested in capital assets	67,805	10,537
Restricted	33,557	110,984
Unrestricted	<u>472,034</u>	<u>440,642</u>
Total net assets	<u>\$ 573,396</u>	<u>\$ 562,163</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the School's net assets totaled \$573,396.

At year-end, capital assets represented 11.62% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

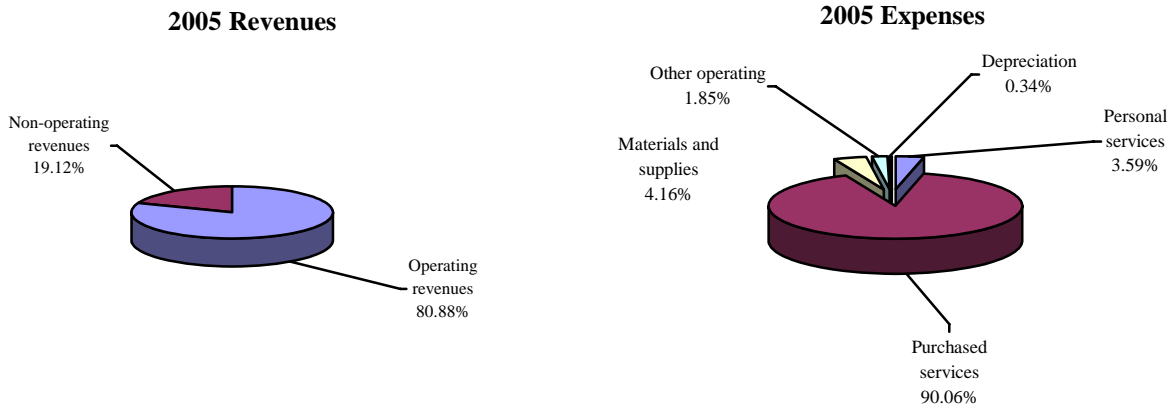
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

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

Change in Net Assets

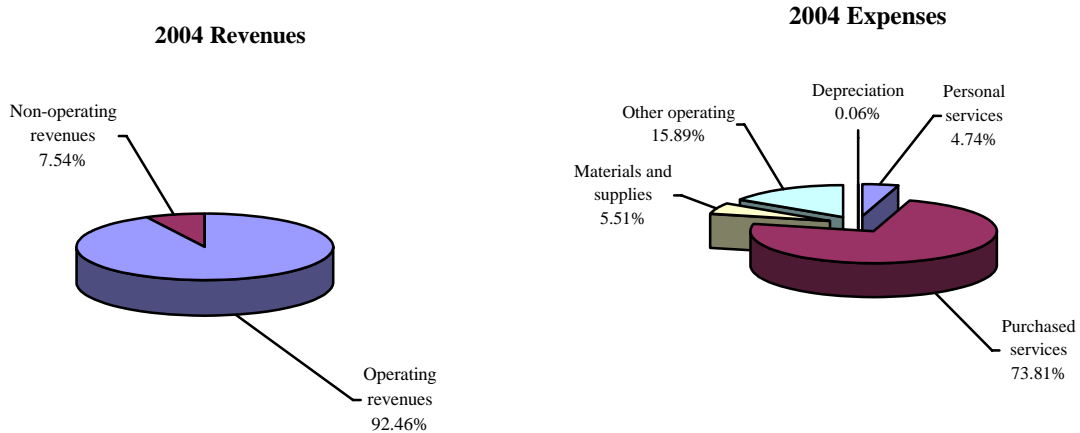
	<u>2005</u>	<u>2004</u>
<u>Operating Revenues:</u>		
State foundation	\$ 1,000,238	\$ 1,365,720
Total operating revenue	<u>1,000,238</u>	<u>1,365,720</u>
<u>Operating Expenses:</u>		
Personal services	43,993	44,727
Purchased services	1,103,622	696,561
Materials and supplies	50,917	51,956
Other	22,676	149,966
Depreciation	<u>4,182</u>	<u>555</u>
Total operating expenses	<u>1,225,390</u>	<u>943,765</u>
<u>Non-operating revenues:</u>		
Federal and state grants	230,962	110,984
Interest income	<u>5,423</u>	<u>434</u>
Total non-operating revenues	<u>236,385</u>	<u>111,418</u>
Change in net assets	11,233	533,373
Net assets at beginning of year	<u>562,163</u>	<u>28,790</u>
Net assets at end of year	<u><u>\$ 573,396</u></u>	<u><u>\$ 562,163</u></u>

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



**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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



Capital Assets

At June 30, 2005, the School had \$67,805 invested in furniture and equipment. See Note 5 to the basic financial statements for more detail on capital assets

Current Financial Related Activities

The School relies on the State Foundation Funds as well as the Federal Sub-Grants to provide the monies necessary to begin the start-up of an electronic conversion school. The School will be eligible to apply for a second round of Federal Sub-Grants after October 1, 2005.

In conclusion, the School has committed itself to providing online educational opportunities to students. The management will aggressively pursue adequate funding to secure the financial stability of the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Cynthia Lengyel, Treasurer, The Unlimited Classroom, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets:	
Current asset:	
Cash and cash equivalents	\$ 515,474
Total current assets	<u>515,474</u>
Non-current assets:	
Capital assets, net.	<u>67,805</u>
Total assets	<u>583,279</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,431
Pension obligation payable	<u>5,452</u>
Total current liabilities	<u>9,883</u>
Net Assets:	
Invested in capital assets	67,805
Restricted for:	
State funded programs.	5,625
Federally funded programs.	27,932
Unrestricted	<u>472,034</u>
Total net assets	<u>\$ 573,396</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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

Operating revenues:	
State foundation.	\$ 1,000,238
Total operating revenues.	<u>1,000,238</u>
 Operating expenses:	
Personal services	43,993
Purchased services.	1,103,622
Materials and supplies.	50,917
Other operating expenses	22,676
Depreciation	<u>4,182</u>
Total operating expenses.	<u>1,225,390</u>
 Operating loss	 <u>(225,152)</u>
 Non-operating revenues:	
Federal and state grants	230,962
Interest income.	<u>5,423</u>
Total non-operating revenues	<u>236,385</u>
 Change in net assets	 11,233
 Net assets at beginning of year	 <u>562,163</u>
Net assets at end of year	<u><u>\$ 573,396</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from State foundation	\$ 1,000,238
Cash payments for personal services	(43,589)
Cash payments to suppliers for goods and services. . .	(1,119,700)
Cash payments for materials and supplies	(50,917)
Cash payments for other expenses	<u>(32,642)</u>
Net cash used in operating activities	<u>(246,610)</u>
Cash flows from noncapital financing activities:	
Federal and state grants.	<u>230,962</u>
Net cash provided by noncapital financing activities	<u>230,962</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(61,450)</u>
Net cash used in capital and related financing activities.	<u>(61,450)</u>
Cash flows from investing activities:	
Interest received	<u>5,423</u>
Net cash provided by investing activities	<u>5,423</u>
Net decrease in cash and cash equivalents	(71,675)
Cash and cash equivalents at beginning of year . . .	<u>587,149</u>
Cash and cash equivalents at end of year.	<u><u>\$ 515,474</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (225,152)
Adjustments:	
Depreciation	4,182
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	17,153
Decrease in accounts payable.	(43,197)
Increase in pension obligation payable.	<u>404</u>
Net cash used in operating activities	<u><u>\$ (246,610)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Unlimited Classroom (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objective is focus on providing students with curriculum and instruction via distance learning technology. The School is a public school that provides an alternative to the traditional educational setting. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School is a legally separate, start up community school, served by a Board of Directors. The School focuses on providing students with curriculum and instruction via distance learning technology. The seven person Board of Directors, appointed by the Mahoning County Educational Service Center (ESC), consists of three persons employed in administrator positions with the Mahoning County ESC, one person employed in an administrator position with the Mahoning County Career and Technical Center (MCCTC), one person who is neither an officer nor employee of the Mahoning County ESC or MCCTC who shall be a public educator or other public office, one person who is appointed to represent the interests of the parents and students of the School, and the School's Treasurer. The School treasurer is a non-voting ex-officio of the Board of Directors.

The Mahoning County ESC sponsored the School during fiscal year 2005. Based on the significant influence the Board of Education of Mahoning County ESC has over the Board of Directors of the School, the School is a component unit of Mahoning County ESC.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the School, provides internet, e-mail and other services to the School (see Note 8). Personnel providing services to the School on behalf of the Mahoning County ESC are considered employees of the ESC and the ESC shall be solely responsible for all payroll functions. The School provides services to approximately 125 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School does not apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

B. Measurement Focus and Basis of Accounting

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

D. Cash

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

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and deletions during the year. The School maintains a capitalization threshold of \$1,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over ten years.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use 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.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated. This review resulted in the discovery of an overpayment to the School in the amount of \$17,042.

H. 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.

I. Tax Exemption Status

The School is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the School qualifying as an integral part of the Mahoning ESC and the Mahoning County Career and Technical Center.

NOTE 3 - 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.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

At June 30, 2005, the carrying amount of all School deposits was \$515,474. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$100,000 of the School's bank balance of \$615,142 was covered by Federal Deposit Insurance Corporation, while \$515,142 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.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2005</u>
Furniture and equipment	\$ 11,092	\$ 61,450	\$ -	\$ 72,542
Less: accumulated depreciation	<u>(555)</u>	<u>(4,182)</u>	<u>-</u>	<u>(4,737)</u>
Capital assets, net	<u>\$ 10,537</u>	<u>\$ 57,268</u>	<u>\$ -</u>	<u>\$ 67,805</u>

NOTE 6 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2005, professional liability is provided by the Ohio School Plan with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and educational legal liability deductible of \$2,500.

NOTE 7 - PURCHASED SERVICES

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

Professional and technical services	\$ 1,039,451
Property services	43,463
Travel expenses	14,516
Communications	<u>6,192</u>
Total	<u>\$ 1,103,622</u>

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - SERVICE AGREEMENTS

A. Area Cooperative Computerized Educational Service System

The School entered into a one-year agreement commencing on July 1, 2004 and ending June 30, 2005, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS \$915 per month for services during fiscal 2005.

B. Mahoning County ESC

The School had a service contract with Mahoning County ESC. This contract outlined the services that would be provided to the School. The following payments were made for fiscal year 2005 from the School to Mahoning County ESC.

Purchased services for fiscal services	\$ 32,368
Administrative fee of 5% and fiscal fee of 5%, which covers phone service, mail delivery, courier service, copier codes, storage, receptionist, payroll, EMIS, operations, purchasing, accounts payable/receivable, and Treasurer.	125,377
Payment for teachers, psychologist, technology, administrators, rent, postage, and secretarial staff	<u>754,098</u>
Total amount of payments made by the School to Mahoning County ESC during fiscal 2005	<u>\$911,843</u>

NOTE 9 - 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.

**THE UNLIMITED CLASSROOM
MAHONING COUNTY, OHIO**

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

(Continued)

NOTE 9 - CONTINGENCIES - (Continued)

B. Litigation

A suit was filed in Franklin County Common Pleas Court, on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state'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 states public educational system and the 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.



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*

The Unlimited Classroom
Mahoning County
100 DeBartolo Place, Suite 115
Youngstown, Ohio 44512

To the Governing Board:

We have audited the financial statements of The Unlimited Classroom, 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 31, 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. In a separate letter to the School's management dated May 31, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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*.

The Unlimited Classroom
Mahoning County
Independent Accountants' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
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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 31, 2006



**Auditor of State
Betty Montgomery**

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**THE UNLIMITED CLASSROOM
MAHONING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2006**