



Dave Yost • Auditor of State

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Youngstown City School District
Mahoning County
20 West Wood Street
Youngstown, Ohio 44503

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 governmental activities, each major fund, and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General and Food Service funds 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 June 27, 2011, on our consideration of the District'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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipt and Expenditure schedule provides additional information required by the 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 Federal Awards Receipt and Expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

June 27, 2011

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Youngstown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District'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 District's financial performance.

Financial Highlights

Key financial highlights for the 2010 fiscal year are as follows:

- In total, net assets increased due to reductions in the solvency assistance advance payable and the continued paydown of debt.
- The School District relies heavily on general revenues to support its operations. General revenues increased over the previous fiscal year, mainly due to the School District continuing to seek out grants as additional funding sources.
- Program expenses increased due to increases in instructional expenses and student intervention services due to the spending of additional grant money.
- The general fund had an increase in fund balance due mainly to an increase in foundation monies. The increase in foundation monies resulted from an increase in formula aid due to lower assessed valuations and subsequently a lower charge-off amount and also an increase in parity aid as funding was shifted more to lower wealth districts.
- Outstanding general obligation bonded debt decreased during fiscal year 2010 due to annual debt payments.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. The most significant funds of the School District are the general fund, food service fund, bond retirement fund and the classroom facilities fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the

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question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual 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 District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include current property tax laws in Ohio restricting revenue growth, facility conditions, the School District's performance, required educational programs, demographic and socio-economic factors, the willingness of the community to support the School District and other factors.

In the Statement of Net Assets and Statement of Activities, all of the School District's programs are classified as governmental activities. All programs and services of the School District are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, food service fund, bond retirement fund and classroom facilities fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds that focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the *modified accrual* accounting method that measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for medical and prescription drug self-insurance. The proprietary fund uses the accrual basis of accounting.

Fiduciary Funds

The School District is the trustee, or fiduciary, for its college scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts as an agent for individuals, private

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organizations and/or other governmental units. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2010 compared to 2009:

Table 1
 Net Assets
 Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$69,012,621	\$73,552,012	(\$4,539,391)
Capital Assets, Net	164,404,567	160,075,788	4,328,779
Total Assets	233,417,188	233,627,800	(210,612)
Liabilities			
Current Liabilities	38,528,003	44,438,995	5,910,992
Long-Term Liabilities			
Due Within One Year	1,789,778	2,162,081	372,303
Due in More Than One Year	44,619,249	45,726,171	1,106,922
Total Liabilities	84,937,030	92,327,247	7,390,217
Net Assets			
Invested in Capital Assets, Net of Related Debt	129,847,116	128,380,337	1,466,779
Restricted for:			
Capital Projects	23,915,268	30,774,905	(6,859,637)
Debt Service	4,372,459	4,590,456	(217,997)
Other Purposes	10,234,777	7,454,088	2,780,689
Unrestricted (Deficit)	(19,889,462)	(29,899,233)	10,009,771
Total Net Assets	\$148,480,158	\$141,300,553	\$7,179,605

Current assets decreased mainly due to a decrease in cash and cash equivalents partially offset by increases in intergovernmental receivables and property taxes receivables. The decrease in cash and cash equivalents can be attributed to the School District spending down their Ohio School Facilities Commission money. The increase in intergovernmental receivables is due to the School District requesting additional grant money. The increase in capital assets was due to the construction and remodeling of three school buildings. The increase in capital assets was partially offset by an additional year of depreciation.

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Total liabilities decreased during fiscal year 2010 which can be attributed to annual payments on the School District's general obligation bonds and the payoff of one of the solvency assistance advance payable.

Table 2 shows the changes in net assets from fiscal year 2010 to 2009.

Table 2
 Change in Net Assets
 Governmental Activities

	2010	2009	Change
Revenues			
Program Revenues			
Charges for Services	\$1,988,622	\$2,491,698	(\$503,076)
Operating Grants, Contributions and Interest	27,675,796	32,354,240	(4,678,444)
Capital Grants	542,141	5,448,790	(4,906,649)
<i>Total Program Revenues</i>	<u>30,206,559</u>	<u>40,294,728</u>	<u>(10,088,169)</u>
General Revenues			
Property Taxes	21,843,061	21,039,557	803,504
Grants and Entitlements	86,129,362	74,739,067	11,390,295
Investment Earnings	124,913	757,927	(633,014)
Miscellaneous	497,467	263,758	233,709
<i>Total General Revenues</i>	<u>108,594,803</u>	<u>96,800,309</u>	<u>11,794,494</u>
<i>Total Revenues</i>	<u>\$138,801,362</u>	<u>\$137,095,037</u>	<u>\$1,706,325</u>

(continued)

Youngstown City School District
Management's Discussion and Analysis
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Table 2
Change in Net Assets (continued)
Governmental Activities

	2010	2009	Change
Program Expenses			
Instruction:			
Regular	\$53,095,320	\$50,955,911	(\$2,139,409)
Special	14,491,836	14,425,937	(65,899)
Vocational	3,095,170	3,206,945	111,775
Adult/Continuing	449,503	356,429	(93,074)
Student Intervention Services	9,702,490	8,559,198	(1,143,292)
Support Services:			
Pupil	6,490,710	6,127,585	(363,125)
Instructional Staff	10,153,971	9,225,815	(928,156)
Board of Education	431,763	433,461	1,698
Administration	6,417,194	7,458,041	1,040,847
Fiscal	1,471,069	1,458,078	(12,991)
Business	888,581	857,196	(31,385)
Operation and Maintenance of Plant	11,356,341	12,560,855	1,204,514
Pupil Transportation	5,276,537	5,623,107	346,570
Central	806,512	997,804	191,292
Operation of Non-Instructional Services	1,780,691	1,800,014	19,323
Food Service Operation	3,960,917	3,354,136	(606,781)
Extracurricular Activities	409,966	1,029,574	619,608
Interest and Fiscal Charges	1,343,186	1,348,158	4,972
<i>Total Program Expenses</i>	<u>131,621,757</u>	<u>129,778,244</u>	<u>(1,843,513)</u>
<i>Increase in Net Assets</i>	7,179,605	7,316,793	(137,188)
Net Assets Beginning of Year	<u>141,300,553</u>	<u>133,983,760</u>	<u>7,316,793</u>
Net Assets End of Year	<u>\$148,480,158</u>	<u>\$141,300,553</u>	<u>\$7,179,605</u>

Governmental Activities

The School District relies heavily upon property taxes and the State Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses increased due to increases in instructional activities and support services resulting from salary increases and the need to update instructional materials.

Youngstown City School District
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During fiscal year 2010 the primary sources of revenue for governmental activities were derived from property taxes and grants and entitlements. Real estate property is revalued every six years. The Board of Education's policy to disallow 100 percent abatements has resulted in minor growth in real estate valuation. House Bill 920, enacted in 1976, does not allow real property tax revenue to increase because of inflationary growth in the value of real property. Increases in valuation of carry-over property prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. New construction in the School District is not subject to the reduction factors of HB920. These increases, though, are usually offset by decreases in valuation caused by the economic condition of the area. These conditions have resulted in business closings, property abandonment, demolitions, and valuation appeals from existing property owners seeking to reduce their taxes usually by claiming market value decreases resulting from area economic forces.

The following table illustrates the low rate of growth in property values which has negatively impacted the School District:

<u>Property Growth - Last Ten Years</u>		
<u>Calendar Year</u>	<u>Total Valuation</u>	<u>Growth Rate</u>
2010	\$599,827,690	(3.19) %
2009	619,587,080	(2.94)
2008	638,379,642	(4.14)
2007	665,968,624	2.68
2006	648,611,187	(1.04)
2005	655,454,960	(2.19)
2004	670,122,208	3.50
2003	647,474,020	(0.10)
2002	648,128,280	(1.12)
2001	655,454,960	0.61
2000	651,482,280	

The average rate of growth over the last 10 years is (0.79) percent.

Because of the low per pupil valuation, the School District is highly dependent on State funding to maintain financial stability. In recent years, support from the State in terms of foundation increases, weighted funding for special education students and career-tech students, equity aid, parity aid and other new State funding mechanisms have helped to improve the financial condition of the School District.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows the total cost of services and the net cost of services. The table identifies the cost of services supported by tax revenue and unrestricted State grants and entitlements.

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Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program Expenses				
Instruction:				
Regular	\$53,095,320	(\$45,853,688)	\$50,955,911	(\$42,378,282)
Special	14,491,836	(11,215,165)	14,425,937	(11,344,204)
Vocational	3,095,170	(2,135,561)	3,206,945	(1,854,277)
Adult/Continuing	449,503	(44,467)	356,429	10,583
Student Intervention Services	9,702,490	(8,087,341)	8,559,198	(7,699,270)
Support Services:				
Pupil	6,490,710	(3,680,844)	6,127,585	(2,054,734)
Instructional Staff	10,153,971	(5,115,209)	9,225,815	(4,729,976)
Board of Education	431,763	(427,577)	433,461	(175,144)
Administration	6,417,194	(5,283,255)	7,458,041	(5,993,065)
Fiscal	1,471,069	(1,307,100)	1,458,078	(1,230,900)
Business	888,581	(878,650)	857,196	(638,263)
Operation and Maintenance of Plant	11,356,341	(9,844,285)	12,560,855	(4,808,117)
Pupil Transportation	5,276,537	(4,076,398)	5,623,107	(3,290,469)
Central	806,512	(762,833)	997,804	(936,283)
Operation of Non-Instructional Services	1,780,691	(351,862)	1,800,014	41,842
Food Service Operation	3,960,917	(666,625)	3,354,136	(129,934)
Extracurricular Activities	409,966	(341,152)	1,029,574	(924,865)
Interest and Fiscal Charges	1,343,186	(1,343,186)	1,348,158	(1,348,158)
<i>Total</i>	<u>\$131,621,757</u>	<u>(\$101,415,198)</u>	<u>\$129,778,244</u>	<u>(\$89,483,516)</u>

The School District's Funds

Information about the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due mainly to an increase in foundation monies. The increase in foundation monies resulted from an increase in formula aid due to lower assessed valuations and subsequently a lower charge-off amount and also an increase in parity aid as funding was shifted more to lower wealth districts. The food service special revenue fund had a decrease in fund balance due to decreases in charges for services. The bond retirement fund also had a decrease in fund balance due to the continuation of making principal and interest payments on outstanding obligations. The classroom facilities capital projects fund had a decrease in fund balance due to expenditures from the construction and remodeling of several school buildings outpacing revenues in fiscal year 2010.

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General Fund Revenues and Expenditures
(Modified Accrual)

	2010	2009	Change
Revenues			
Property Taxes	\$20,101,536	\$18,997,047	\$1,104,489
Intergovernmental	85,396,735	74,598,099	10,798,636
Interest	91,222	330,053	(238,831)
Other Revenues	1,480,986	1,611,144	(130,158)
<i>Total</i>	<u>\$107,070,479</u>	<u>\$95,536,343</u>	<u>\$11,534,136</u>
Expenditures			
Instruction	\$66,904,668	\$63,148,895	(\$3,755,773)
Support Services	30,068,198	28,446,551	(1,621,647)
Operation of Non-Instructional Services	7,149	9,434	2,285
Extracurricular Activities	294,897	471,293	176,396
Capital Outlay	5,257	242,596	237,339
Debt Service	78,960	180,031	101,071
<i>Total</i>	<u>\$97,359,129</u>	<u>\$92,498,800</u>	<u>\$4,860,329</u>

General Fund Budgeting Highlights

The School District's appropriations are prepared according to Ohio law and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant and the only fund appropriated at the object level is the general fund.

During the course of fiscal year 2010, the School District amended its general fund budget numerous times.

For the general fund, the final budget basis revenue was lower than the original budget estimate. The change was attributed to decreases in estimates for all revenues due to the overall poor economy.

The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in estimates for most expenditure categories from tighter spending controls.

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Capital Assets and Debt Administration

Capital Assets

The following table shows fiscal 2010 balances compared to 2009.

Table 4
 Capital Assets at June 30
 (Net of Depreciation)
 Governmental Activities

	2010	2009	Change
Land	\$1,002,781	\$1,002,781	\$0
Construction in Progress	11,357,672	14,077,246	(2,719,574)
Buildings and Improvements	148,251,698	141,048,489	7,203,209
Furniture and Equipment	1,721,558	2,331,239	(609,681)
Vehicles	308,784	389,847	(81,063)
Textbooks	1,762,074	1,226,186	535,888
<i>Total Capital Assets</i>	<u>\$164,404,567</u>	<u>\$160,075,788</u>	<u>\$4,328,779</u>

The increase in capital assets was due to the current construction and remodeling of several school buildings. The School District also completed construction on one building during fiscal year 2010. The completion of this project represents the decrease in construction in progress and the increase in buildings and improvements. The increase in capital assets was partially offset by an additional year of depreciation. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

Debt

Table 5 below summarizes the School District's long-term obligations.

Table 5
 Outstanding Long-Term Obligations at Fiscal Year End
 Governmental Activities

	2010	2009	Change
Classroom Facilities Bonds	\$30,590,668	\$31,774,536	(\$1,183,868)
Capital Leases	5,050,000	5,062,152	(12,152)
Claims	109,782	163,602	(53,820)
Compensated Absences	10,658,577	10,572,962	85,615
Early Retirement Incentive	0	315,000	(315,000)
Total	<u>\$46,409,027</u>	<u>\$47,888,252</u>	<u>(\$1,479,225)</u>

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The classroom facilities bonds were issued in March 2005 for the construction of new schools. The bonds will be paid using tax revenue from the debt service fund. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2028. For additional information on long-term obligations see Note 18 to the basic financial statements.

Challenges and Opportunities

The goal of the Youngstown City School District continues to be to maintain the highest standards of service to our students, parents and community. In keeping with its mission statement the Board of Education has adopted a Comprehensive Continuous School Improvement Plan through which the School District intends to satisfy the rigorous requirements of the Leave No Child Behind Act.

The mission of the Youngstown City School District, a School District determined to be a beacon of hope and encouragement, is to develop caring, life-long learners with a vision, who are well prepared and productive citizens, by respecting individuality and utilizing all resources available.

To meet our goals it is imperative that the School District's management and staff continue to carefully and prudently plan in order to provide the resources and education required to meet student needs over the next several years.

Youngstown City School District has committed itself to financial reporting excellence for many years. The School District received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting from fiscal year 2000 through fiscal year 2005. The School District did not participate in this program for fiscal years 2006 through 2010. The School District chose not to prepare a Comprehensive Annual Financial Report as a cost saving measure.

Contacting the School District's Financial Management Personnel

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact William Johnson, Treasurer, Youngstown City School District, 20 W. Wood St., PO Box 550, Youngstown, OH 44503, 330-744-6996.

Basic Financial Statements

Youngstown City School District

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$32,839,792
Cash and Cash Equivalents With Fiscal Agents	1,631,785
Accounts Receivable	25,400
Intergovernmental Receivable	8,657,291
Prepaid Items	12,414
Inventory Held for Resale	38,492
Materials and Supplies Inventory	329,082
Property Taxes Receivable	25,120,816
Deferred Charges	357,549
Nondepreciable Capital Assets	12,360,453
Depreciable Capital Assets, net	<u>152,044,114</u>
<i>Total Assets</i>	<u>233,417,188</u>
Liabilities	
Accounts Payable	541,733
Accrued Wages and Benefits	7,028,436
Contracts Payable	603,362
Intergovernmental Payable	2,694,570
Matured Compensated Absences Payable	110,454
Deferred Revenue	23,516,709
Accrued Interest Payable	140,539
Claims Payable	2,392,200
State Operating Loan Payable	1,500,000
Long-Term Liabilities:	
Due Within One Year	1,789,778
Due In More Than One Year	<u>44,619,249</u>
<i>Total Liabilities</i>	<u>84,937,030</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	129,847,116
Restricted for:	
Capital Projects	23,915,268
Debt Service	4,372,459
Other Purposes	10,234,777
Unrestricted (Deficit)	<u>(19,889,462)</u>
<i>Total Net Assets</i>	<u><u>\$148,480,158</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Capital Grants	Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest			
Governmental Activities:						
Instruction:						
Regular	\$53,095,320	\$452,825	\$6,788,807	\$0		(\$45,853,688)
Special	14,491,836	110,136	3,166,535	0		(11,215,165)
Vocational	3,095,170	598,224	361,385	0		(2,135,561)
Adult/Continuing	449,503	0	405,036	0		(44,467)
Student Intervention Services	9,702,490	79,961	1,535,188	0		(8,087,341)
Support Services:						
Pupil	6,490,710	133,157	2,676,709	0		(3,680,844)
Instructional Staff	10,153,971	45,666	4,993,096	0		(5,115,209)
Board of Education	431,763	3,590	0	596		(427,577)
Administration	6,417,194	139,945	993,994	0		(5,283,255)
Fiscal	1,471,069	16,823	147,146	0		(1,307,100)
Business	888,581	8,193	1,604	134		(878,650)
Operation and Maintenance of Plant	11,356,341	126,102	844,543	541,411		(9,844,285)
Pupil Transportation	5,276,537	43,096	1,157,043	0		(4,076,398)
Central	806,512	7,098	36,581	0		(762,833)
Operation of Non-Instructional Services	1,780,691	833	1,427,996	0		(351,862)
Food Service Operation	3,960,917	156,727	3,137,565	0		(666,625)
Extracurricular Activities	409,966	66,246	2,568	0		(341,152)
Interest and Fiscal Charges	1,343,186	0	0	0		(1,343,186)
<i>Total Governmental Activities</i>	<u>\$131,621,757</u>	<u>\$1,988,622</u>	<u>\$27,675,796</u>	<u>\$542,141</u>		<u>(101,415,198)</u>
General Revenues						
Property Taxes Levied for:						
						20,072,575
						1,565,463
						205,023
Grants and Entitlements not Restricted to Specific Programs:						
						85,468,562
						660,800
						124,913
						497,467
<i>Total General Revenues</i>						108,594,803
Change in Net Assets						7,179,605
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>						141,300,553
<i>Net Assets End of Year</i>						\$148,480,158

See accompanying notes to the basic financial statements

Youngstown City School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Food Service	Bond Retirement	Classroom Facilities
Assets				
Equity in Pooled Cash and Cash Equivalents	\$675,614	\$1,101,028	\$1,118,545	\$16,222,390
Cash and Cash Equivalents With Fiscal Agents	0	0	0	1,631,785
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	760,420	0	0	0
Property Taxes Receivable	23,165,428	0	1,715,055	0
Accounts Receivable	25,008	392	0	0
Interfund Receivable	904,329	0	3,967,500	0
Intergovernmental Receivable	81,266	466,578	0	4,878,252
Prepaid Items	12,414	0	0	0
Materials and Supplies Inventory	307,048	22,034	0	0
Inventory Held for Resale	0	38,492	0	0
Total Assets	\$25,931,527	\$1,628,524	\$6,801,100	\$22,732,427
Liabilities				
Accounts Payable	\$176,135	\$0	\$0	\$5,102
Contracts Payable	224,023	12,634	0	350,994
Accrued Wages and Benefits	5,854,711	71,819	0	0
Interfund Payable	3,967,500	0	0	0
Intergovernmental Payable	1,766,654	120,957	0	0
Matured Compensated Absences Payable	83,920	0	0	0
Accrued Interest Payable	33,724	0	0	0
Deferred Revenue	23,237,255	0	1,715,055	4,878,252
State Operating Loan Payable	1,500,000	0	0	0
Total Liabilities	36,843,922	205,410	1,715,055	5,234,348
Fund Balances				
Nonspendable	319,462	60,526	0	0
Restricted	760,420	1,362,588	5,086,045	17,498,079
Assigned	120,820	0	0	0
Unassigned (Deficit)	(12,113,097)	0	0	0
Total Fund Balances (Deficit)	(10,912,395)	1,423,114	5,086,045	17,498,079
Total Liabilities and Fund Balances	\$25,931,527	\$1,628,524	\$6,801,100	\$22,732,427

See accompanying notes to the basic financial statements

Youngstown City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$21,360,536
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$10,281,398	\$29,398,975	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	164,404,567
0	1,631,785	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	760,420	Property Taxes	1,604,107
240,333	25,120,816	School Facilities Monies	4,878,252
0	25,400	Grants	2,116,134
0	4,871,829		
3,231,195	8,657,291	Total	8,598,493
0	12,414	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	274,855
0	329,082		
0	38,492		
\$13,752,926	\$70,846,504		
\$360,496	\$541,733	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(106,815)
2,369	590,020		
1,101,906	7,028,436	In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	357,549
904,329	4,871,829		
806,959	2,694,570	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
26,534	110,454	Classroom Facilities Bonds	(30,590,668)
0	33,724	Capital Lease	(5,050,000)
2,284,640	32,115,202	Claims Payable	(109,782)
0	1,500,000	Compensated Absences	(10,658,577)
5,487,233	49,485,968	Total	(46,409,027)
0	379,988		
9,200,112	33,907,244	<i>Net Assets of Governmental Activities</i>	\$148,480,158
0	120,820		
(934,419)	(13,047,516)		
8,265,693	21,360,536		
\$13,752,926	\$70,846,504		

Youngstown City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Food Service	Bond Retirement	Classroom Facilities
Revenues				
Property Taxes	\$20,101,536	\$0	\$1,610,088	\$0
Intergovernmental	85,396,735	3,427,164	660,800	461,157
Interest	91,222	3,000	0	33,691
Tuition and Fees	953,891	0	0	0
Extracurricular Activities	56,850	0	0	0
Contributions and Donations	6,046	0	0	0
Charges for Services	0	171,343	0	0
Rentals	17,417	0	0	0
Miscellaneous	446,782	2,115	0	0
<i>Total Revenues</i>	<u>107,070,479</u>	<u>3,603,622</u>	<u>2,270,888</u>	<u>494,848</u>
Expenditures				
Current:				
Instruction:				
Regular	45,706,661	0	0	0
Special	11,132,498	0	0	0
Vocational	2,112,664	0	0	0
Adult/Continuing	0	0	0	0
Student Intervention Services	7,952,845	0	0	0
Support Services:				
Pupil	3,565,636	0	0	0
Instructional Staff	4,127,295	0	0	0
Board of Education	430,481	0	0	0
Administration	4,928,274	0	0	0
Fiscal	1,269,084	0	42,034	0
Business	804,037	1,619	0	0
Operation and Maintenance of Plant	9,988,254	283,274	0	0
Pupil Transportation	4,250,532	2,808	0	0
Central	704,605	0	0	0
Operation of Non-Instructional Services	7,149	0	0	0
Operation of Food Services	0	3,387,458	0	0
Extracurricular Activities	294,897	0	0	0
Capital Outlay	5,257	0	0	11,376,544
Debt Service:				
Principal Retirement	12,152	0	1,145,000	0
Interest and Fiscal Charges	66,808	0	1,298,957	0
<i>Total Expenditures</i>	<u>97,359,129</u>	<u>3,675,159</u>	<u>2,485,991</u>	<u>11,376,544</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>9,711,350</u>	<u>(71,537)</u>	<u>(215,103)</u>	<u>(10,881,696)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(82,053)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(82,053)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	9,629,297	(71,537)	(215,103)	(10,881,696)
<i>Fund Balances (Deficit) Beginning of Year (Restated - See Note 3)</i>	<u>(20,541,692)</u>	<u>1,494,651</u>	<u>5,301,148</u>	<u>28,379,775</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$10,912,395)</u>	<u>\$1,423,114</u>	<u>\$5,086,045</u>	<u>\$17,498,079</u>

See accompanying notes to the basic financial statements

Youngstown City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$2,793,108)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$207,977	\$21,919,601	Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
22,108,352	112,054,208	Capital Outlay	10,263,957
1,800	129,713	Depreciation	<u>(5,914,391)</u>
726,262	1,680,153	Total	4,349,566
62,859	119,709	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(20,787)
226,111	232,157	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
0	171,343	Property Taxes	(76,540)
0	17,417	Grants	<u>2,056,134</u>
48,570	497,467	Total	1,979,594
23,381,931	136,821,768	Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets:	
		Classroom Facilities Bonds	1,145,000
		Capital Lease	<u>12,152</u>
		Total	1,157,152
		Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represents contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
5,543,579	51,250,240	Claims Payable	53,820
3,163,185	14,295,683	Compensated Absences	(85,615)
1,023,560	3,136,224	Early Retirement Incentive	<u>315,000</u>
447,563	447,563	Total	283,205
1,732,147	9,684,992	The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated of the internal service fund is allocated among the governmental activities.	2,201,404
		In the statement of activities, interest is accrued on outstanding bonds, bond premium and bond issuance cost are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued:	
2,709,146	6,274,782	Accrued Interest	2,863
5,360,074	9,487,369	Amortization of Issuance Costs	(19,152)
1,127,078	1,557,559	Bond Premium Amortization	<u>38,868</u>
0	4,928,274	Total	22,579
170,025	1,481,143	<i>Change in Net Assets of Governmental Activities</i>	<u>\$7,179,605</u>
0	805,656		
667,131	10,938,659		
961,994	5,215,334		
36,581	741,186		
1,616,963	1,624,112		
0	3,387,458		
100,102	394,999		
58,925	11,440,726		
0	1,157,152		
0	1,365,765		
24,718,053	139,614,876		
(1,336,122)	(2,793,108)		
82,053	82,053		
0	(82,053)		
82,053	0		
(1,254,069)	(2,793,108)		
9,519,762	24,153,644		
\$8,265,693	\$21,360,536		

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$20,429,100	\$20,066,119	\$20,101,536	\$35,417
Intergovernmental	87,314,430	85,763,044	85,914,420	151,376
Interest	92,708	91,061	91,222	161
Tuition and Fees	1,022,717	1,004,546	1,006,319	1,773
Extracurricular Activities	103,280	58,870	59,894	1,024
Contributions and Donations	10,426	5,943	6,046	103
Rentals	17,700	17,386	17,417	31
Miscellaneous	384,416	376,716	377,400	684
<i>Total Revenues</i>	109,374,777	107,383,685	107,574,254	190,569
Expenditures				
Current:				
Instruction:				
Regular	46,931,535	45,782,712	45,782,712	0
Special	11,372,389	11,137,135	11,137,135	0
Vocational	2,219,902	2,163,999	2,163,999	0
Student Intervention Services	8,078,912	8,078,912	8,078,912	0
Support Services:				
Pupil	3,496,295	3,507,118	3,507,118	0
Instructional Staff	4,312,893	4,222,465	4,222,465	0
Board of Education	394,815	363,069	363,069	0
Administration	5,342,618	5,250,377	5,250,377	0
Fiscal	1,766,712	1,701,021	1,701,021	0
Business	837,767	820,412	820,412	0
Operation and Maintenance of Plant	10,483,867	10,129,106	10,129,106	0
Pupil Transportation	4,227,096	4,121,389	4,121,389	0
Central	732,931	717,747	717,747	0
Operation of Non-Instructional Services	8,065	9,114	9,114	0
Extracurricular Activities	370,355	362,683	362,683	0
Capital Outlay	10,435	3,417	3,417	0
Debt Service:				
Principal	8,154,020	8,012,500	8,012,500	
Interest	66,768	66,768	66,768	0
<i>Total Expenditures</i>	108,807,375	106,449,944	106,449,944	0
<i>Excess of Revenues Over Expenditures</i>	567,402	933,741	1,124,310	190,569
Other Financing Sources (Uses)				
Advances In	102,706	100,881	101,059	178
Advances Out	(894,021)	(875,501)	(875,501)	0
Transfers Out	(83,789)	(82,053)	(82,053)	0
<i>Total Other Financing Sources (Uses)</i>	(875,104)	(856,673)	(856,495)	178
<i>Net Change in Fund Balance</i>	(307,702)	77,068	267,815	190,747
<i>Fund Balance Beginning of Year</i>	822,337	822,337	822,337	0
Prior Year Encumbrances Appropriated	231,670	231,670	231,670	0
<i>Fund Balance End of Year</i>	\$746,305	\$1,131,075	\$1,321,822	\$190,747

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$3,170,326	\$3,224,214	\$3,230,263	\$6,049
Interest	2,944	2,994	3,000	6
Charges for Services	168,164	171,022	171,343	321
Miscellaneous	2,239	2,277	2,281	4
<i>Total Revenues</i>	3,343,673	3,400,507	3,406,887	6,380
Expenditures				
Current:				
Support Services:				
Business	1,654	1,619	1,619	0
Operation and Maintenance of Plant	316,212	299,403	299,403	0
Pupil Transportation	3,155	2,808	2,808	0
Operation of Food Services	3,236,678	3,332,417	3,332,417	0
<i>Total Expenditures</i>	3,557,699	3,636,247	3,636,247	0
<i>Net Change in Fund Balance</i>	(214,026)	(235,740)	(229,360)	6,380
<i>Fund Balance Beginning of Year</i>	1,135,838	1,135,838	1,135,838	0
Prior Year Encumbrances Appropriated	20,228	20,228	20,228	0
<i>Fund Balance End of Year</i>	\$942,040	\$920,326	\$926,706	\$6,380

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2010

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,680,397</u>
Liabilities	
Contracts Payable	13,342
Claims Payable	<u>2,392,200</u>
<i>Total Liabilities</i>	<u>2,405,542</u>
Net Assets	
Unrestricted	<u><u>\$274,855</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2010*

	Insurance
Operating Revenues	
Charges for Services	\$15,445,905
Miscellaneous	492
<i>Total Operating Revenues</i>	15,446,397
Operating Expenses	
Purchased Services	584,775
Claims	12,660,218
<i>Total Operating Expenses</i>	13,244,993
<i>Change in Net Assets</i>	2,201,404
<i>Net Assets (Deficit) Beginning of Year</i>	(1,926,549)
<i>Net Assets End of Year</i>	\$274,855

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2010

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$15,753,405
Other Cash Receipts	492
Cash Payments for Goods and Services	(889,394)
Cash Payments for Claims	(12,872,118)
<i>Net Increase in Cash and Cash Equivalents</i>	1,992,385
<i>Cash and Cash Equivalents Beginning of Year</i>	688,012
<i>Cash and Cash Equivalents End of Year</i>	\$2,680,397
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$2,201,404
Adjustments:	
Increase in Contracts Payable	2,881
Decrease in Claims Payable	(211,900)
Total Adjustments	(209,019)
<i>Net Cash Provided by Operating Activities</i>	\$1,992,385
 See accompanying notes to the basic financial statements	

Youngstown City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$193,807	\$239,110
Liabilities		
Undistributed Monies	0	\$77,890
Due to Students	0	161,220
<i>Total Liabilities</i>	0	\$239,110
Net Assets		
Held in Trust for Scholarships	\$193,807	

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Scholarship
Additions	
Contributions and Donations	\$56,434
Deductions	
Scholarships Awarded	39,246
<i>Change in Net Assets</i>	17,188
<i>Net Assets Beginning of Year</i>	176,619
<i>Net Assets End of Year</i>	\$193,807

See accompanying notes to the basic financial statements

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District

Youngstown City School District (the School District) operates under a locally-elected seven-member Board form of government and provides educational services as authorized by State and Federal agencies. The Board controls the School District's instructional and support facilities staffed by 434 non-certified employees, 626 certified full-time teaching personnel and 57 administrative employees, who provide services to students and other community members.

The School District is located in Youngstown, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the School District during the 2010 fiscal year was 6,541. The School District operates seven elementary schools, five middle/junior high schools, two high schools, one vocational school, one early college high school, one alternative school and one community school.

On November 16, 2006, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State under section 3316.03B(5), Revised Code. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of the Office of Budget and Management, an appointee of the Governor, and an appointee of the Mayor of Youngstown. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The School District adopted its original financial recovery plan on March 15, 2007. Under State law, the School District must annually update its financial recovery plan. The Commission issued its most current revised plan on April 22, 2010. The revised plan includes the reduction of 28 full-time equivalents for fiscal year 2010. The plan also includes reductions in utility expenditures and an HVAC contract.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Youngstown City School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The following activities are included within the reporting entity:

Non-Public Schools - Within the School District boundaries, there are various non-public schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed by the School District on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

The School District participates in two jointly governed organizations, the Access Council of Governments and the Tech Prep Consortium. These organizations are discussed in Note 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Food Service Fund The food service fund accounts for the grants and charges for services related to the food service operations of the School District.

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are used for payment of principal and interest and fiscal charges on general obligation debt.

Classroom Facilities Fund The classroom facilities fund accounts for property tax revenues, grants and interest received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, prescription drug, dental and vision claims of the School District's employees.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund which accounts for the Youngstown Board of Education's college scholarship fund. The money in the fund is used to grant scholarships to certain eligible School District students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

The private purpose trust fund is accounted for using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for the general fund and at the fund level for all other funds. The treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds except the general fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end in the majority of categories.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the statement of fund net assets as "cash and cash equivalents with fiscal agents."

During fiscal year 2010, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$91,222, of which \$85,885 was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated and purchased food held for resale and materials and supplies held for consumption.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and unclaimed monies.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Capital Assets

All capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back trending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Furniture and Equipment	5 - 10 years
Vehicles	10 years
Textbooks	5 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

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 District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District 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 District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

Bond Issuance Costs

Issuance costs for underwriting fees and bond insurance for the classroom facilities bonds are being amortized using the straight-line method over the life of the obligations in the School District's governmental activities. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of the unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the fund financial statements, bond premiums are recognized as an other financing source in the year the bonds are issued.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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. Net assets restricted for other purposes include resources restricted for instruction, support services, operation of non-instructional services, food service operations and extracurricular activities.

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 – Change in Accounting Principles and Restatement of Prior Year Fund Balances

Changes in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year Fund Balance/Net Assets

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Food Service	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at						
June 30, 2009	(\$20,544,025)	\$1,494,651	\$5,301,148	\$28,379,775	\$9,522,095	\$24,153,644
Change in Fund Structure	2,333	0	0	0	(2,333)	0
Adjusted Fund Balance at						
June 30, 2009	<u>(\$20,541,692)</u>	<u>\$1,494,651</u>	<u>\$5,301,148</u>	<u>\$28,379,775</u>	<u>\$9,519,762</u>	<u>\$24,153,644</u>

During fiscal year 2010, it was determined that capital assets were understated at June 30, 2009.

	Governmental Activities
Net Assets, June 30, 2009	\$138,233,648
Capital Assets	<u>3,066,905</u>
Adjusted Net Assets, June 30, 2009	<u><u>\$141,300,553</u></u>

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Food Service	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Inventory	\$319,462	\$60,526	\$0	\$0	\$0	\$379,988
<i>Restricted for</i>						
Bus Purchases	620,797	0	0	0	0	620,797
Unclaimed Monies	139,623	0	0	0	0	139,623
Food Service Operations	0	1,362,588	0	0	0	1,362,588
Adult Education	0	0	0	0	803,730	803,730
Student Enrichment	0	0	0	0	1,099,346	1,099,346
Educational Foundation	0	0	0	0	51,670	51,670
Classroom Facility Maintenance	0	0	0	0	3,765,596	3,765,596
Athletics	0	0	0	0	117,632	117,632
Non-Public Schools	0	0	0	0	217,503	217,503
Educational Management						
Information Systems	0	0	0	0	14,674	14,674
Public School Preschool	0	0	0	0	9,587	9,587
Summer Intervention	0	0	0	0	67,173	67,173
Leadership Programs	0	0	0	0	44,769	44,769
Special Education	0	0	0	0	524,194	524,194
Instructional Services	0	0	0	0	1,551,184	1,551,184
Limited English Proficiency	0	0	0	0	6,776	6,776
Preschool Grant	0	0	0	0	8,138	8,138
Debt Service Payments	0	0	5,086,045	0	0	5,086,045
Capital Improvements	0	0	0	17,498,079	918,140	18,416,219
<i>Total Restricted</i>	760,420	1,362,588	5,086,045	17,498,079	9,200,112	33,907,244
<i>Assigned to</i>						
Other Purposes	120,820	0	0	0	0	120,820
<i>Unassigned (Deficit)</i>	(12,113,097)	0	0	0	(934,419)	(13,047,516)
<i>Total Fund Balances</i>	(\$10,912,395)	\$1,423,114	\$5,086,045	\$17,498,079	\$8,265,693	\$21,360,536

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 5 – Fund Deficits

Fund balances at June 30, 2010, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$10,912,395
<i>Special Revenue Funds:</i>	
Ohio Reads	38,416
Vocational Education Enhancement	2,636
Alternative Education	2,164
Adult Basic Education	9,722
Vocational Education	116,549
Title II-D	122,582
Drug Free Schools	9,834
Reducing Class Size	179,260
Miscellaneous Federal Grants	453,256

The general fund concluded fiscal year 2010 with a deficit fund balance. The School District has experienced a financial shortfall which has resulted in deficit spending in the general fund. To alleviate the financial shortfall, the School District has developed a strategy to stabilize its cash shortfall. See Note 1 for further information.

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. A Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented in the basic financial statements for the general fund and major special revenue funds. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statement prepared using GAAP.
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue funds.

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Food Service
GAAP Basis	\$9,629,297	(\$71,537)
Revenue Accruals	587,834	(196,735)
Advance In	101,059	0
Ending Unrecorded Cash	(84,059)	0
Expenditure Accruals	(9,060,662)	213,234
Advance Out	(875,501)	0
Encumbrances	(30,153)	(174,322)
Budget Basis	\$267,815	(\$229,360)

Note 7 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Youngstown City School District
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Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$15,847,994 of the School District's bank balance of \$16,605,567 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Youngstown City School District
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Investments

As of June 30, 2010, the School District had STAR Ohio as the only investment with an amount of \$17,916,115 and a maturity of 56.0 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

Youngstown City School District
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For the Fiscal Year Ended June 30, 2010

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2010 and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of tax bills sent by the County, there was no money available as an advance to the School District at June 30, 2010 or June 30, 2009.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$544,351,070	87.86%	\$550,812,230	91.83%
Public Utility	44,346,250	7.16	45,291,160	7.55
Tangible Personal Property	30,889,760	4.98	3,724,300	0.62
Total Assessed Value	\$619,587,080	100.00%	\$599,827,690	100.00%
Tax rate per \$1,000 of assessed valuation	\$60.50		\$60.50	

Note 9 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental. Except for property taxes, receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for the Ohio School Facilities Commission grant and property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	\$40,070,557	\$14,949,741	\$25,120,816

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Ohio School Facilities Commission	\$4,878,252
Title VI-B Grants	1,272,701
Title I Grants	1,155,796
Food Service Subsidies	466,578
Reducing Class Size Grants	461,234
Adult Basic Education Grants	137,969
Refund from SERS	71,827
Early Childhood Education Grants	50,000
Limited English Proficiency Grants	44,913
Miscellaneous Local Grants	33,000
Preschool Grants	32,404
Vocational Education Enhancement Grants	23,400
Drug Free Grants	19,778
Tuition Reimbursement	9,439
Total	\$8,657,291

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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 District at June 30, 2010.

Litigation

The Youngstown City School District is currently a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 11 – Capital Assets

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

Governmental Activities	Restated Balance 6/30/2009	Additions	Deductions	Balance 6/30/2010
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	14,077,246	8,646,934	(11,366,508)	11,357,672
<i>Total Nondepreciable Capital Assets</i>	15,080,027	8,646,934	(11,366,508)	12,360,453
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	\$161,478,354	\$11,366,508	(\$1,929,777)	\$170,915,085
Furniture and Equipment	22,235,377	450,828	0	22,686,205
Vehicles	2,784,914	0	0	2,784,914
Textbooks	2,136,814	1,166,195	(151,478)	3,151,531
<i>Total Capital Assets being Depreciated</i>	188,635,459	12,983,531	(2,081,255)	199,537,735
Less Accumulated Depreciation:				
Buildings and Improvements	(20,429,865)	(4,142,512)	1,908,990	(22,663,387)
Furniture and Equipment	(19,904,138)	(1,060,509)	0	(20,964,647)
Vehicles	(2,395,067)	(81,063)	0	(2,476,130)
Textbooks	(910,628)	(630,307)	151,478	(1,389,457)
<i>Total Accumulated Depreciation</i>	(43,639,698)	(5,914,391)	2,060,468	(47,493,621)
<i>Total Assets being Depreciated, Net</i>	144,995,761	7,069,140	(20,787)	152,044,114
<i>Governmental Activities Capital Assets, Net</i>	\$160,075,788	\$15,716,074	(\$11,387,295)	\$164,404,567

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$2,700,686
Special	579,391
Vocational	119,076
Support Services:	
Pupil	250,077
Instructional Staff	661,361
Board of Education	892
Administration	346,508
Fiscal	2,858
Business	74,411
Operation and Maintenance of Plant	332,599
Pupil Transportation	108,872
Central	51,132
Operation of Non-Instructional Services	194,443
Food Service Operation	33,121
Extracurricular Activities	458,964
Total Depreciation Expense	<u>\$5,914,391</u>

Note 12 - Risk Management

Property and Liability

The School District 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. During fiscal year 2010, the School District contracted with the L. Calvin Jones and Company for catastrophic property insurance. The catastrophic policy has a current replacement value in the amount of \$233,012,073 and \$20,000,000 per occurrence limit with a \$75,000 deductible. Professional and Pollution liability is protected by the Lexington Insurance Company providing a \$2,000,000 per claim limit with a \$10,000,000 policy term aggregate. Each claim is subject to a \$100,000 deductible.

The School District has a blanket insurance policy for all boilers through the Cincinnati Insurance Company with a coverage limit of \$500,000 and a \$1,000 deductible.

Fleet insurance is provided by the National Interstate Insurance Company that has a \$1,000 deductible and \$75,000 coverage per accident. Portable buildings and maintenance vehicles are covered by Westfield Insurance Company. Aggregate annual coverage for the portable buildings is \$872,490 and \$500,000 for maintenance vehicles. Both policies have a \$1,000 deductible.

The School District has a builders' risk policy through the St. Paul Travelers Insurance Company to provide coverage for the ongoing construction of school buildings. This policy has an \$85,000,000 limit and a \$20,000 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 last year.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

\$50,000 performance bonds are maintained for the board president, superintendent, and business manager; a \$250,000 bond is maintained for the treasurer. These bonds are maintained by the Nationwide Agribusiness Insurance Company.

Worker's Compensation

The School District participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured. During fiscal year 2010, the School District paid the State Workers' Compensation System a minimum premium based on a rate of .005965 per \$100 of salaries.

The balance of claims payable at June 30, 2010 represents an estimate of the liability for unpaid claim costs provided by Workers' Compensation for the periods during which the School District has been retrospectively rated. The claims liability of \$109,782 at June 30, 2010, is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2009	\$192,376	\$19,320	\$48,094	\$163,602
2010	163,602	277,912	331,732	109,782

Employee Health Benefits

The School District is self-insured for medical, prescription drug, dental and vision insurance. Medical Mutual administers the medical insurance plan for certified employees. Anthem administers the medical insurance plan for non-certified employees and administrators. Stop-loss coverage has been purchased at \$200,000 in aggregate for each employee. CVS/Caremark is the third party administrator for the prescription drug program. Anthem administers the dental plan for the School District. Medical Mutual Health Services is the third party administrator for vision insurance. The administrators review all claims which are paid by the School District.

The claims liability of \$2,392,200 reported in the internal service fund at June 30, 2010 is based on estimates provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in total claims liability during fiscal years 2009 and 2010 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2009	\$2,869,400	\$13,711,908	\$13,977,208	\$2,604,100
2010	2,604,100	12,660,218	12,872,118	2,392,200

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 13 - Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent 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 by the SERS' Retirement Board up to statutory maximum amount of 10 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,237,839, \$1,387,056 and \$1,382,374 respectively; 97.53 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description – The School District 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 Web site at www.strsoh.org.

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'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.

A DB or Combined Plan member with five or more years of 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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$4,956,110, \$5,128,318 and \$5,563,307, respectively; 81.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$146,149 made by the School District and \$104,393 made by the plan members.

Note 14 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administrated by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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 Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$216,549 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$783,665, \$634,780 and \$630,821, respectively; 97.53 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll.

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Notes to the Basic Financial Statements
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The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were \$103,608, \$114,444 and \$99,603 respectively; 97.53 percent has been contribution for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$381,239, \$394,486 and \$427,947 respectively; 81.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 15 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 285 days for administrators, 260 days for certified employees and 240 days for classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for certified employees. Administrators are paid thirty seven and one half percent of accrued unused sick leave upon retirement. Classified employees receive payment for sixty percent of accumulated sick leave up to 144 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS and must also have ten years of service with the School District.

During fiscal year 2007, the School District negotiated an early retirement incentive payment of \$30,000 for eligible employees. The incentive payment is made in four equal payments in October of the first consecutive year after retirement, in October and January of the second consecutive year, and in October of the third consecutive year. A small number of employees will receive their last payment in January of the third consecutive year instead of receiving one of their four equal payments in January of the second consecutive year. The first payment will be made on October 1, 2007. An employee is eligible if the employee has a minimum of 10 years of service to the School District, retired with an effective retirement date of June 1, 2007, July 1, 2007 or August 1, 2007 and notified the School District of the intent to retire no later than April 20, 2007. At June 30, 2010, the early retirement incentive liability was fully retired.

Youngstown City School District
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Life Insurance

The School District provides life insurance to its employees. Coverage is equal to the employee's basic annual earnings, rounded to the next higher \$1,000. The maximum amount of coverage is \$300,000 for any full-time permanent non-certified or certified employee. The School District does not currently have any employees whose salary is \$300,000. Life insurance coverage is provided through Met Life Insurance Company.

Note 16 – Contractual Commitments

As of June 30, 2010, the School District had the following contractual purchase commitments outstanding:

Contractor	Contract Amount	Amount Paid to date	Remaining Contract
A T & T	\$20,000	\$9,675	\$10,325
A T & T Data Com	97,328	0	97,328
Balog Steines Hendricks &	45,982	20,721	25,261
Desalvo Construction Co. Inc	6,612,913	6,337,094	275,819
Dominion East Ohio Gas	40,000	3,464	36,536
En-Ser Reprographics Company	22,500	16,271	6,229
Gandee & Associates, Inc.	97,711	51,593	46,118
Jaminet Arcitect	15,950	0	15,950
Johnson Controls Inc.	450,000	421,290	28,710
Kemp & Company	238,950	217,840	21,110
Komar Plumbing Company	626,942	581,157	45,785
Mid-West Telephone	135,335	102,696	32,639
Modarelli Excavating Inc.	169,800	155,658	14,142
Ohio Edison Company	60,000	5,267	54,733
Professional Services Industrial Inc.	82,368	53,785	28,583
Project Management Consultants	18,500	7,000	11,500
S.A. Communale Company, Inc.	160,164	146,523	13,641
Sexton, Tom & Associate	281,195	0	281,195
Siegel Excavating Inc.	28,400	18,469	9,931
Stone Creek Interior Systems	272,980	246,608	26,372
Treasurer, State of Ohio	300	118	182
Tri Area Electric Company	1,426,639	1,247,263	179,376
Wolford's Rolloff, Inc.	104,420	73,966	30,454
York Mahoning Mechanical	1,373,918	1,303,452	70,466
Youngstown Water Dept.	1,000	246	754
	<u>\$12,383,295</u>	<u>\$11,020,156</u>	<u>\$1,363,139</u>

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 – Note Debt

During fiscal years 2008 and 2009, the School District received interest free State solvency assistance advances in the amounts of \$10,380,000 and \$3,000,000, respectively. The State solvency assistance advances will be paid from the general fund with school foundation revenue. A liability for the notes is reflected in the general fund which received the proceeds.

	Outstanding 6/30/2009	Additions	Deletions	Outstanding 6/30/2010
FY 2008 Solvency Assistance Advance	\$5,190,000	\$0	\$5,190,000	\$0
FY 2009 Solvency Assistance Advance	3,000,000	0	1,500,000	1,500,000
Total Solvency Assistance Advance	\$8,190,000	\$0	\$6,690,000	\$1,500,000

In fiscal year 2011, the School District will pay \$1,500,000 to retire the fiscal year 2009 solvency assistance advance.

Note 18 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<i>Classroom Facilities Bonds</i>					
Classroom Facilities Bonds Series 2005	\$31,010,000	\$0	\$1,145,000	\$29,865,000	\$1,180,000
Unamortized Premium	764,536	0	38,868	725,668	0
<i>Total Classroom Facilities Bonds</i>	<i>31,774,536</i>	<i>0</i>	<i>1,183,868</i>	<i>30,590,668</i>	<i>1,180,000</i>
Capital Lease Payable	5,062,152	0	12,152	5,050,000	0
Claims Payable	163,602	277,912	331,732	109,782	27,445
Compensated Absences	10,572,962	727,635	642,020	10,658,577	582,333
Early Retirement Incentive	315,000	0	315,000	0	0
Total General Long - Term Obligations	\$47,888,252	\$1,005,547	\$2,484,772	\$46,409,027	\$1,789,778

The classroom facilities bonds will be paid with property taxes from the debt service fund. The State workers' compensation claims payable and the capital leases will be paid from the general fund and classroom facilities capital projects fund.

On March 2, 2005, the School District issued \$35,625,000 in classroom facilities bonds for the construction of new schools. The bonds will be paid using tax revenue from the debt service fund. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2028. The bonds were issued at a premium of \$932,964.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Compensated absences and the early retirement incentive will be paid from the fund from which the employees' salaries are paid. These funds include the general fund, and the food service, poverty based assistance, adult education, miscellaneous local grants, auxiliary services, public school preschool, alternative schools, adult basic education, title VI-B, vocational education, title I, drug free schools grant, preschool grants, reducing class size and miscellaneous federal grants special revenue funds.

The School District's overall debt margin was \$28,887,818 with an unvoted debt margin of \$596,297 at June 30, 2010. Principal and interest requirements to retire the classroom facilities bonds and early retirement incentive are as follows:

Fiscal Year Ended June 30,	Classroom Facilities Bonds	
	Principal	Interest
2011	\$1,180,000	\$1,264,082
2012	1,215,000	1,228,158
2013	1,250,000	1,188,058
2014	1,295,000	1,143,520
2015	1,340,000	1,097,407
2016-2020	7,465,000	4,683,920
2021-2025	9,340,000	2,734,562
2026-2028	6,780,000	449,019
Total	\$29,865,000	\$13,788,726

Note 19 – Capital Lease

The School District entered into a capital lease for the improvement of several buildings in the School District. The lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded on the government-wide statements. As part of this agreement, JP Morgan Chase Bank, N.A., as lessor, deposited \$5,050,000 into the School District's account. The School District will be making annual interest payments over a ten year period to JP Morgan Chase Bank, its escrow agent, which will pay the annual interest and invest the sinking fund dollars at an interest rate that will generate at least \$1,228,924 over the lease period, the difference between the sinking payments and the lease principal payment. It is the assumption of the School District that the money in the sinking fund will be invested and earn enough interest to allow the lease to be paid in full in December 2020.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Year ending June 30,	Building Lease
2011	\$32,825
2012	32,825
2013	32,825
2014	32,825
2015	32,825
2016-2020	164,125
2021	5,082,825
Total Minimum Lease Payments	5,411,075
Less: Amount Representing Interest	(361,075)
Present Value of Minimum Lease Payments	\$5,050,000

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

Year ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payment
2011	\$0	\$32,825	\$382,108	\$414,933
2012	0	32,825	382,108	414,933
2013	0	32,825	382,108	414,933
2014	0	32,825	382,108	414,933
2015	0	32,825	382,108	414,933
2016-2020	0	164,125	382,104	546,229
2021	5,050,000	32,825	0	5,082,825
	\$5,050,000	\$361,075	\$2,292,644	\$7,703,719

Note 20 - Interfund Transactions

Interfund Transfers

The general fund transferred \$82,053 to the district managed activities special revenue fund to help provide funding for the program in fiscal year 2010.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Interfund Balances

	Interfund Receivable
Interfund Payable	General
Miscellaneous Local Grants	\$263
Vocational Education Enhancement	14,186
Adult Basic Education	124,770
Title VI-B	400
Vocational Education	49,406
Title II-D	123,284
Limited English Proficiency	10,922
Title I	288,329
Drug Free Schools	11,211
Reducing Class Size	23,728
Miscellaneous Federal Grants	257,830
<i>Total All Funds</i>	<i>\$904,329</i>

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received.

The debt service fund reported an interfund receivable at June 30, 2010 of \$3,967,500. The general fund had an interfund payable of \$3,967,500. The interfund transaction between the debt service fund and the general fund is manuscript notes. The manuscript notes were issued by the School District on January 28, 2009 and purchased by the debt service fund as an investment. The manuscript notes will mature on December 1 of the years 2009 through 2012, and they bear a 1.50 percent annual interest rate.

Changes in manuscript notes of the School District during fiscal year 2010 were as follows:

	Outstanding June 30, 2009	Additions	Deletions	Outstanding June 30, 2010
Manuscript Note - Tax Anticipation	\$5,290,000	\$0	\$1,322,500	\$3,967,500

The following is a schedule of the principal and interest requirements to retire the manuscript notes:

Year ending June 30,	Principal	Interest
2011	\$1,322,500	\$59,513
2012	1,322,500	39,675
2013	1,322,500	19,837
	\$3,967,500	\$119,025

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 21 - Jointly Governed Organizations

Access Council of Governments

The Access Council of Governments (COG) is a computer network which provides data services to twenty-six school districts. 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 districts. Each of the governments of these schools supports COG based upon a per pupil charge before any e-rate credits, which was \$40.25 for fiscal year 2010. Youngstown City School District paid \$88,487 to COG during fiscal year 2010. 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.

Tech Prep Consortium

The Tech Prep Consortium is a cooperative effort between the School District, Youngstown State University and Mahoning County Joint Vocational School District to support programs in business, engineering and health technology through business, industry, labor and educational personnel. All of the consortium revenues are from a federal grant. The consortium is governed by an executive committee consisting of the superintendents of the school districts, the President of Youngstown State University and a representative from business or industry. The committee exercises total control over the operation of the Consortium, including budgeting, appropriating, contracting and designating management.

Note 22 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2009	(\$712,215)	\$0
Current Year Set-Aside Requirement	1,183,946	1,183,946
Offsets	0	(1,145,000)
Qualifying Disbursements	(2,070,601)	(597,045)
Total	(\$1,598,870)	(\$558,099)
Set-Aside Reserve Balance as of June 30, 2010 and Carried Forward to Future Fiscal Years	(\$1,598,870)	\$0

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook and capital acquisition set-asides. The extra amount in the textbook set-aside may be used to reduce the set-aside requirement of future years. The extra amount in the capital acquisition set-aside may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 23 – Subsequent Event

On March 29, 2011, the Auditor of State terminated the School District from fiscal emergency. Based upon an analysis performed by the Auditor of State, the School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, the objectives of the financial recovery plan have been met, an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented and the Board of Education has prepared a positive five-year financial forecast.

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	-	\$ 147,322	-	\$ 147,322
Cash Assistance:					
School Breakfast Program	10.553	\$ 869,979		\$ 869,979	
National School Lunch Program	10.555	2,228,581		2,228,581	
ARRA - Child Nutrition Discretionary Grants	10.579	31,639		31,639	
Total U.S. Department of Agriculture		\$ 3,130,199	\$ 147,322	\$ 3,130,199	\$ 147,322
U.S. DEPARTMENT OF DEFENSE					
<i>Direct Program</i>					
Junior Reserve Officer Training Corp	12.000	49,572		49,572	
U.S. DEPARTMENT OF LABOR					
<i>Direct Program</i>					
Community Based Job Training Grants	17.269	123,134		78,187	
U.S. DEPARTMENT OF EDUCATION					
<i>Direct Programs:</i>					
ARRA - Federal Pell Grant Program	84.063	299,500		299,500	
Fund for the Improvement of Education	84.215	292,696		275,957	
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education Grants to States (IDEA Part B)	84.027	1,877,256		2,462,309	
ARRA - Special Education Grants to States (IDEA Part B)	84.391	373,000		139,782	
Special Education - Preschool Grant	84.173	124,436		125,015	
ARRA - Special Education - Preschool Grant	84.392	24,100		16,149	
Total Special Education Cluster		2,398,792		2,743,255	
<i>Passed Through Ohio Board of Regents</i>					
Adult Education-Basic Grants to States	84.002	388,595		403,461	
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	6,056,719		6,803,016	
ARRA - Title I Grants to Local Educational Agencies	84.389	2,578,274		2,230,755	
Total Title I, Part A Cluster		8,634,993		9,033,771	
Career and Technical Education- Basic Grants to States	84.048	400,495		399,245	
<i>Passed Through Ohio Department of Education:</i>					
Safe and Drug-Free Schools and Communities - State Grant	84.186	16,019		50,015	
Education for Homeless Children and Youth	84.196	-		115,237	
ARRA - Education for Homeless Children and Youth	84.387	18,000		13,237	
Total Homeless Assistance		18,000		128,474	

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

Federal Grantor/ Pass Through Grantor <i>Program Title</i>	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION - (Continued)</u>					
21st Century Community Learning Centers	84.287	40,000		525,981	
State Grants for Innovative Programs	84.298	30,617		67,871	
Education Technology State Grants	84.318	75,610		68,997	
ARRA - Education Technology State Grants	84.386	75,610		137,866	
Total Education Technology State Grants		<u>75,610</u>		<u>206,863</u>	
Reading First State Grant	84.357	199,000		244,166	
English Language Acquisition Grants	84.365	23,524		31,170	
Improving Teacher Quality State Grants	84.367	1,667,121		2,110,979	
ARRA - State Fiscal Stabilization Fund	84.394	5,025,208		3,106,330	
Total U.S. Department of Education		<u>19,510,170</u>		<u>19,627,038</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
<i>Passed Through Mahoning County:</i>					
Temporary Assistance to Needy Families	93.558	75,258		23,903	
Total Federal Award Receipts and Expenditures		<u>\$ 22,888,333</u>	<u>\$ 147,322</u>	<u>\$ 22,908,899</u>	<u>\$ 147,322</u>

The accompanying notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports the Youngstown City School District's (the "District") federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Youngstown City School District
Mahoning County
20 West Wood Street
Youngstown, Ohio 44501

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Youngstown City School District, Mahoning County, (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 27, 2011, wherein we noted the District is experiencing financial difficulties that raises substantial doubt about its ability to continue as a going concern. The Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Revised Code Section. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District'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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 27, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 27, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Youngstown City School District
Mahoning County
20 West Wood Street
Youngstown, Ohio 44501

To the Board of Education:

Compliance

We have audited the compliance of Youngstown City School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Youngstown City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District'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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 District's compliance with those requirements and performing other procedures 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 District's compliance with those requirements.

In our opinion, the Youngstown City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2010-001 and 2010-002.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-002 be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-001 to be a significant deficiency.

The District's responses to the finding we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated June 27, 2011.

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



Dave Yost
Auditor of State

June 27, 2011

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title 1 Cluster (CFDA #84.010 & #84.389); Special Education Grants to States (IDEA Part B) (CFDA #84.027 & #84.391); Career & Technical Education – Basic Grants to States (CFDA #84.048); Special Education – Preschool Grant (CFDA #84.173 & #84.392); Improving Teacher Quality (CFDA #84.367); and State Fiscal Stabilization Fund (CFDA #84.394)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$691,687 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Allowable Costs / Cost Principles

Finding Number	2010-001
CFDA Title and Number	Improving Teacher Quality CFDA #84.367
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding, Significant Deficiency and Questioned Cost

20 USC 6623 states that local agencies may use funds for a broad span of activities designed to improve teacher quality. Examples of allowable activities include: (1) providing “professional development” (as the term is defined in 34 CFR 200.56) to teachers, and, where appropriate, to principals and paraprofessionals in content knowledge and classroom practice; (2) developing and implementing a wide variety of strategies and activities to recruit, hire, and retain highly qualified teachers and principals; (3) developing and implementing initiatives to promote retention of highly qualified teachers and principals; (4) carrying out professional development programs to assist principals and superintendents in becoming outstanding managers and educational leaders; and (5) carrying out teacher advancement initiatives that promote professional growth and emphasize multiple career paths and pay differentiation, and establish programs and activities related to exemplary teachers. In addition, local agencies may use funds to hire teachers to reduce class size (Sections 2101 and 2123(a) of the ESEA (20 USC 6601 and 6623(a))).

During a review of payroll expenditures, it was noted the District charged a portion of their bus drivers' salaries to the Improving Teacher Quality Grant. The District could not provide documentation to indicate that this expenditure fell within one of the allowable expenditures referenced above. This situation resulted in \$10,510 of federal questioned costs being charged to this grant.

Failure to comply with these provisions could hinder the allocation of future grant funding for the District.

This matter will also be referred to the Ohio Department of Education.

We recommend the District identify the employees whose salaries are eligible to be charged to each federal grant and provide a list to the appropriate payroll personnel. At the end of each pay period, all salary expenditures charged to federal grants should be compared and approved to the eligible list of employees by the appropriate personnel prior to entry into the accounting system. This will help to ensure allowable charges to federal awards are made as well as add a measure of control over the District's payroll cycle.

Official's Response:

The District will reverse the portion of their bus drivers' salaries posted to the Improving Teacher Quality Grant, and post these amounts to the General Fund by 6/29/11.

Other

Finding Number	2010-002
CFDA Title and Number	Title 1 Cluster (CFDA #84.010 & #84.389); Special Education Grants to States (IDEA Part B) (CFDA #84.027 & #84.391); Career & Technical Education – Basic Grants to States (CFDA #84.048); Special Education – Preschool Grant (CFDA #84.173 & #84.392); Improving Teacher Quality (CFDA #84.367); and State Fiscal Stabilization Fund (CFDA #84.394)
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding and Material Weakness

OMB Circular A-133 Section 200 (b) states that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with **Section 500** except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section.

OMB Circular A-133 Section 320 (a) states the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The District filed its June 30, 2009 data collection form and reporting package on November 2, 2010. We recommend the District submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

Officials' Response:

The District will submit its data collection form and reporting package within the time frame required by OMB Circular A-133 Section 320.

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YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	The District will reverse the portion of their bus drivers' salaries posted to the Improving Teacher Quality Grant, and post these amounts to the General Fund by 6/29/11.	6/29/11	William Johnson, Treasurer
2010-002	The District will submit its data collection form and reporting package within the time frame required by OMB Circular A-133 Section 320.	12/30/11	William Johnson, Treasurer

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Dave Yost • Auditor of State

YOUNGSTOWN CITY SCHOOL DISTRICT

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
JULY 26, 2011